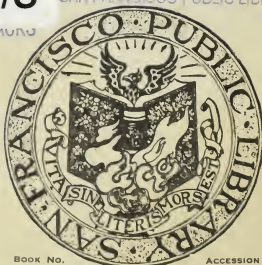


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# ANNUAL REPORT

OF THE

## CONTROLLER

OF THE

CITY AND COUNTY OF SAN FRANCISCO

FOR THE FISCAL YEAR ENDED JUNE 30, 1939



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# ANNUAL REPORT

OF THE

## CONTROLLER

OF THE

CITY AND COUNTY OF SAN FRANCISCO

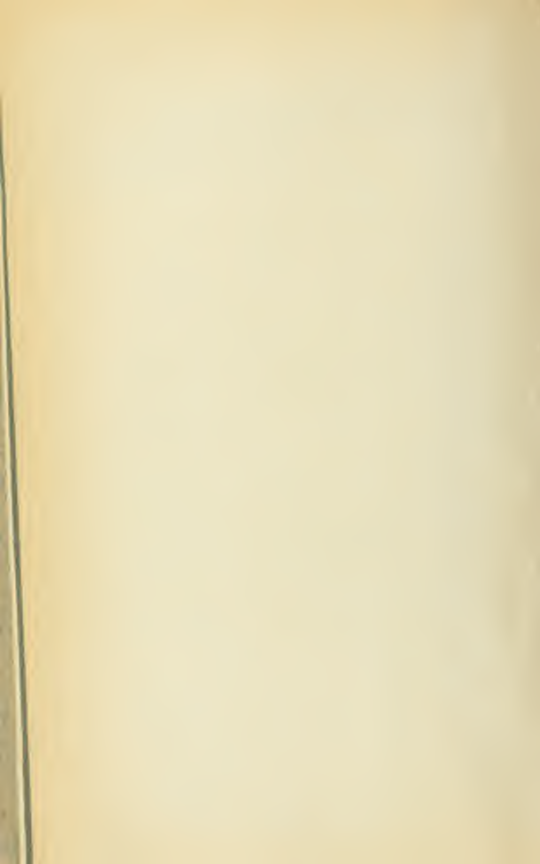
FOR THE FISCAL YEAR ENDED JUNE 30, 1939



FRANKLIN TYPESETTING CO.

447 SANSOME STREET, SAN FRANCISCO





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## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CONTROLLER

November 15, 1939.

To His Honor the Mayor, and The Honorable the Board of Supervisors,  
City and County of San Francisco.

Gentlemen:

The annual report of the Controller for the fiscal year ended June 30, 1939, is submitted herewith in accordance with the provisions of Section 65 of the Charter.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Lybrand, Ross Bros. and Montgomery by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of departments were made by the Controller's Audit Staff with the exception of the following audits which were made pursuant to the provisions of Ordinance Number 9.0621 by the firms indicated:

Hetch Hetchy Water Supply and Power Project by John F. Forbes & Company.

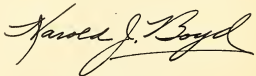
San Francisco Water Department by William Dolge & Company.

Municipal Railway by Peat, Marwick, Mitchell & Company.

Retirement System by F. W. Lafrentz & Company, Bullock Kellogg & Mitchell.

San Francisco School Department by Lester Herrick and Herrick.

Yours very truly,

A handwritten signature in dark ink, reading "Harold J. Boyd". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

HAROLD J. BOYD,

Controller.



## CONTROLLER'S COMMENTS

The Charter makes it mandatory that the Controller shall submit annually a complete financial report.

In a strictly fiscal sense, the condition of the affairs of local government are herein reflected in the audits made by certified public accountants.

It was the policy of my predecessor in office to augment the financial report by the inclusion of comments and specific recommendations relative to the general problems of local government. This policy has been continued by me because of my recognition that, in the absence of current comment, the filing of a financial report tends to become a mere formality, and the technical language of a financial report discourages interest in the problems of government.

It is my personal hope and belief that frank comments, constructively intended, may stimulate the interest not only of the public generally but, more particularly, of the public officials and the heads of the various departments, boards and commissions who are charged, jointly with the Controller, with certain responsibilities.

### COORDINATION OF DEPARTMENTAL PLANNING WITH FISCAL PROGRAM

Conversations with members of the Board of Freeholders who formulated the Charter indicate definitely that one of the major objectives of the Charter was to make possible long-range planning.

All programs based on that premise require, of course, certain fiscal coordination. In other words, such proposals finally prompt the question, "How can they be financed?"

Although there is not on record with this office any official statement on the subject, it is recognized that various departments of local government have developed, or are developing, plans in connection with current and future problems for their respective departments.

It is respectfully suggested that an endeavor be made toward the coordination of these departmental plans with the fiscal problem involved.

It is not sufficient to submit piece-meal proposals during the period of the year when the annual budget is under consideration. Of course, the problems can be met on a year-to-year basis but—to repeat—the intent of the Charter is for long-range planning and not for catch-as-catch-can methods that inevitably follow when the year-to-year basis is utilized.

Departments should have under development long-range plans for essential replacements, extensions and improvements to meet future requirements of our local government. These plans should be coordinated with a long-range fiscal program. The Controller's office is anxious to extend to departments the cooperative and collaborative assistance needed to put long-range planning into effect.

### BOND ISSUES—DEBT SERVICE

In the annual report of last year there was presented in detail certain phases of the problems which one day must be met if certain capital expenditures are to be financed. The presentation made in that report contained two specific recommendations:

First:—That no general obligation bond issues be submitted to the voters for their approval;

Second:—That a Charter amendment be submitted to the voters which would authorize the creation of a "Reserve for Public Improvements Fund"; that the amount to be placed annually in this fund shall be the difference between the present requirement for bond interest and redemption and the reduced requirement for such purposes for each succeeding fiscal year; that expenditures from this fund be confined exclusively to public improvements and that a prior authorization from the voters be obtained before any such expenditure is made.

I believe that these are matters to which the executive, the legislative and the administrative branches of government should give immediate consideration. And I so recommend.

#### INADEQUACY OF PRESENT "DISPOSITION OF REFUSE" ORDINANCE

The existing ordinance governing the disposition of refuse problem is the result of an initiative measure amended at an election held November 8, 1932.

Section 16 of the ordinance provides in part as follows:

"During the month of January each year the controller—shall certify and examine into the rates to the producer for the collection and disposition of refuse—and—shall report—to the Board of Supervisors—" etc.

The ordinance does not require collectors of refuse to maintain records of account and data pertinent thereto in forms sufficient for verification and rate determination.

The result is that, because of this defect or inadequacy in the ordinance, the Controller is unable to fulfill the implied intent of the ordinance.

A correction of this condition can only be effected by submitting to the voters an amendment to Section 16 of the Refuse Collection and Disposal Ordinance which would make it mandatory that collectors of refuse maintain, subject to inspection and examination by the Controller, complete records of account and data pertinent thereto in forms sufficient for verification by the Controller for the purpose of rate fixing and determination.

Until the existing defect is remedied, the Controller is not in a position to discharge the obligation which, by implication at least, he is supposed to discharge.

It is recommended that steps be taken to correct the existing inadequacy.

#### NEW PROCEDURES

This year there was installed, jointly by the Purchaser of Supplies and the Controller, new procedures for the procurement of materials, supplies and contractual services. Procedures were also installed in connection with the acquisition, custody and disposition of equipment. These procedures provide for an investigation of necessity, the formulation of standards, an accurate accounting of custody and the disposition of "out of service" equipment, or equipment subject to replacement.

Plans are now being made for an adequate accounting of the custody and disposition of materials and supplies.

We are here entering on a new phase of departmental responsibility. In the simplest of words:

Money—actual cash—is and always has been adequately safeguarded and adequately accounted for; materials, supplies and equipment represent money in a different form. The same adequate control will be exercised ultimately over this form of tax dollars as is now exercised over money in the possession of local government.

#### CONCLUSION

The budget for the fiscal year 1938-39 was balanced on a cash basis. No statement beyond that is necessary to emphasize the soundness of the finances of the City and County of San Francisco.

The fiscal provisions of the Charter are, in themselves, a safeguard against fiscal disorder. I am in hearty accord with those safeguards; and to their rigid enforcement I am committed by my oath of office.

## CITY AND COUNTY OF SAN FRANCISCO (a)

## ASSESSMENT ROLLS

Fiscal Years 1919-1920 to 1939-1940

Fiscal Year	Real Estate	Improvements	Tangible Personal Property	Less Veterans' Exemptions	Total Valuations Subject to City and County Rates	Solvent Credits (e)	Stocks and Bonds (d)	Total Non-Operative	Property Assessed by State Board of Equalization (c)	Operative Assessment Roll (b)	Total Assessment Roll	Tax Rate Per \$100. Valuation
1919-20	\$297,744,425	\$184,756,781	\$ 84,311,606	-----	\$566,812,812	-----	-----	\$ 566,812,812	-----	\$227,272,481	\$ 794,085,293	\$3.08
1920-21	298,146,865	188,853,890	98,013,313	-----	585,014,068	-----	-----	585,014,068	-----	233,059,934	818,074,002	3.18
1921-22	297,625,295	204,402,007	107,884,462	-----	609,911,764	-----	-----	609,911,764	-----	257,702,240	867,614,004	3.47
1922-23	296,998,570	212,462,451	105,854,076	-----	615,315,097	-----	-----	615,315,097	-----	240,946,158	856,261,255	3.47
1923-24	303,170,530	230,371,461	110,620,662	-----	644,162,653	-----	-----	644,162,653	-----	272,514,917	916,677,570	3.47
1924-25	309,976,590	252,747,908	121,375,422	-----	684,099,920	-----	-----	684,099,920	-----	305,218,982	989,318,902	3.47
1925-26	328,345,480	275,483,311	129,944,189	-----	733,772,980	-----	-----	733,772,980	-----	316,802,456	1,050,575,436	4.13
1926-27	338,373,870	296,410,808	121,844,239	-----	756,628,917	-----	-----	756,628,917	-----	225,914,698	982,543,615	3.66
1927-28	340,908,020	317,845,607	125,673,196	-----	784,426,823	-----	-----	784,426,823	-----	240,926,342	1,025,353,165	3.66
1928-29	347,893,591	337,140,412	121,997,487	-----	807,031,490	-----	-----	807,031,490	-----	248,483,381	1,055,514,871	3.80
1929-30	349,457,070	349,915,305	108,086,685	-----	807,459,060	\$106,171,728	\$282,798,274	1,196,439,062	-----	363,766,920	1,560,205,982	3.94
1930-31	346,787,760	348,341,335	106,640,980	-----	801,770,075	142,755,055	358,499,935	1,303,025,065	-----	405,228,682	1,708,253,747	4.04
1931-32	344,350,099	351,127,948	97,810,358	-----	793,288,405	154,238,456	255,679,223	1,203,206,084	-----	396,358,633	1,599,564,717	4.04
1932-33	341,570,705	353,513,845	95,209,061	-----	790,293,611	116,531,852	142,695,341	1,049,520,804	-----	383,950,344	1,433,471,148	3.96
1933-34	335,496,235	331,475,855	79,975,152	-----	746,947,242	115,555,468	111,851,888	974,354,598	-----	437,973,267	1,412,327,865	3.48
1934-35	333,115,690	329,544,221	76,793,422	-----	739,453,333	111,675,150	177,197,820	1,028,326,303	-----	337,776,080	1,366,102,383	3.863622
1935-36	324,713,626	328,199,331	75,512,159	-----	-----	108,476,795	172,810,808	1,009,712,719	-----	-----	-----	-----
(c)	17,672,390	22,522,080	47,056,650	-----	815,676,236	40,443,140	8,946,840	-----	\$136,641,100	-----	1,146,353,819	3.681917
1936-37	325,377,202	334,889,674	74,053,287	-----	-----	122,758,168	2,803,423	853,709,371	-----	-----	-----	-----
(c)	17,673,140	22,620,170	47,647,260	\$6,172,383	816,088,350	38,772,180	-----	-----	126,712,750	-----	980,422,121	3.784
1937-38	324,562,756	336,291,966	79,036,646	-----	-----	132,247,351	1,720,317	867,496,806	-----	-----	-----	-----
(c)	17,441,550	41,501,170	31,073,360	6,362,230	823,545,218	35,886,580	-----	-----	125,902,660	-----	993,399,466	3.871
1938-39	322,417,683	341,878,215	78,005,290	-----	-----	121,647,347	-----	857,404,611	-----	-----	-----	-----
(c)	16,741,620	40,557,060	30,932,540	6,543,924	823,988,484	26,265,410	-----	-----	114,496,630	-----	971,901,241	4.04
1939-40	322,469,139	343,216,155	74,871,973	-----	-----	120,635,532	-----	854,415,450	-----	-----	-----	-----
(c)	16,445,250	40,385,710	30,765,680	6,777,349	821,376,558	42,077,030	-----	-----	129,673,670	-----	984,089,120	3.937

(a) Includes Junior College, High School and Elementary School Districts.

(b) Not subject to City and County and School District tax levy.

(c) Property assessed by State Board of Equalization—Subject to City and County and School District tax levy.

(d) Eliminated from roll by 1935 legislature, previously taxed at the rate of 20¢ per \$100.

(e) Taxed at the rate of 10¢ per \$100.





CITY AND COUNTY OF SAN FRANCISCO  
 DETAIL OF TAX RATES  
 Fiscal Years 1929-30 to 1939-40

	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40
General Fund—Charter Limit \$1.65.....	1.013739	1.037954	1.084104	1.439628	1.606582	1.523520	1.305168	1.313201	1.297168	1.537071	1.429412
General Fund—Other Necessary Expenditures Not Limited.....	.824330	.798185	.850640	.340466	.....	.467638	.424391	.410339	.427155	.441201	.515663
Unified School District.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.617683	.681146
Common School.....	.791360	.833823	.912432	.846772	.377301	.333527	.525827	.546397	.569500	.....	.....
Special School Tax.....	.254500	.234845	.052811	.045045	.133765	.076407	.120937	.116183	.110734	.....	.....
Recreation.....	.070000	.070000	.054616	.070000	.066950	.068826	.079584	.069886	.070000	.071666	.069858
Park.....	.100000	.100000	.100000	.100000	.100000	.102964	.109072	.115674	.126173	.116052	.130145
Library.....	.043233	.047721	.043203	.042636	.038537	.049217	.050215	.054191	.054914	.047873	.047388
Employees' Retirement.....	.066108	.065344	.068515	.181972	.188637	.205129	.195405	.211834	.219404	.225722	.231096
Bond Interest and Redemption.....	.614482	.666145	.686330	.805466	.903356	.968989	.793233	.860871	.909315	.883011	.743447
de Young Museum.....	.008498	.012654	.009687	.009071	.008113	.008452	.007553	.008778	.010792	.010155	.010310
California Palace of the Legion of Honor..	.008498	.012654	.009687	.008380	.008031	.009318	.008584	.009174	.009514	.009232	.008874
War Memorial.....	.....	.....	.....	.008536	.009633	.008785	.008802	.010415	.011501	.011202	.011707
Publicity and Advertising.....	.019381	.029125	.027250	.027883	.028128	.020417	.021566	.024759	.024259	.040000	.040000
Tax Judgments.....	.030603	.030495	.031361	.034145	.010967	.013564	.011405	.012941	.012758	.004675	.005944
Firemen's Relief.....	.054985	.054846	.070060	.....	.....	.....	.....	.....	.....	.....	.....
Blind Pensions Fund.....	.002064	.008000	.008116	.....	.....	.....	.....	.....	.....	.....	.....
Needy Aged Fund.....	.008219	.018209	.031188	.....	.....	.....	.....	.....	.....	.....	.....
Golden Gate Bridge & Highway District...	.030000	.020000	.....	.....	.....	.....	.....	.....	.....	.....	.....
Special Election Fund.....	.....	.....	.....	.....	.....	.003193	.....	.....	.....	.....	.006607
Interest on Tax Anticipation Notes.....	.....	.....	.....	.....	.....	.003676	.....	.000928	.000976	.002161	.003516
Airport.....	.....	.....	.....	.....	.....	.....	.020175	.018429	.016837	.022296	.001887
Total Levy.....	3.94	4.04	4.04	3.96	3.48	3.863622	3.681917	3.784	3.871	4.04	3.937



**TAX YIELD OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
Fiscal Year 1939-40**

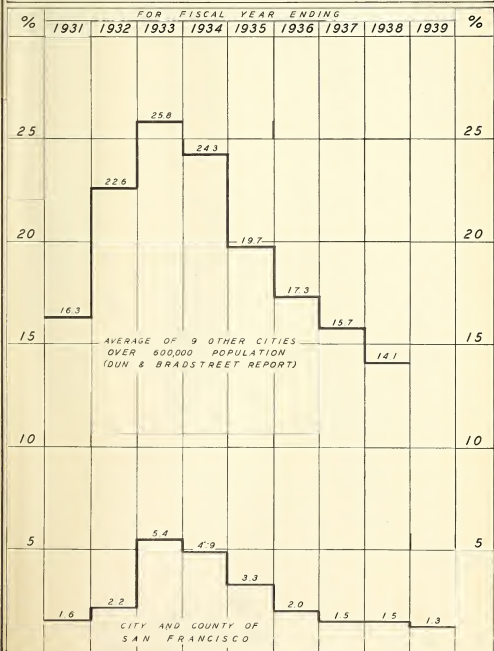
	Valuation	Tax Yield	Rate Per \$100.
<b>TAXES ON PROPERTY ASSESSED BY CITY AND COUNTY</b>			
<i>Real Estate, Improvements and Secured Personal Property</i>			
Real Estate and Improvements.....	\$665,685,294.	.....	.....
Tangible Personal Property.....	10,309,533.	.....	.....
Less Veterans' Exemptions.....	6,777,349.	.....	.....
Net Tangible Value.....	\$669,217,478.	\$26,347,097.94	\$3.937
Solvent Credits.....	9,338,517.	9,339.59	.10
Total.....	\$678,555,995.	\$26,356,437.53	.....
<i>Unsecured Personal Property (Collected)</i>			
Tangible Personal Property.....	\$ 39,008,750.	\$ 1,575,944.23	\$4.04
Solvent Credits.....	88,202,456.	88,208.52	.10
Total.....	\$127,211,206.	\$ 1,664,152.75	.....
<i>Unsecured Personal Property (Uncollected)</i>			
Tangible Personal Property.....	\$ 25,553,690.	\$ 1,032,365.71	\$4.04
Solvent Credits.....	23,094,559.	23,095.98	.10
Total.....	\$ 48,648,249.	\$ 1,055,461.69	.....
Total Assessed by City and County Assessor .....	\$854,415,450.	\$29,076,051.97	.....
<b>TAXES ON PROPERTY ASSESSED BY STATE BOARD OF EQUALIZATION</b>			
Real Estate and Improvements.....	\$ 56,830,960.	\$ 2,237,435.00	\$3.937
Tangible Personal Property.....	30,765,680.	1,211,244.81	3.937
Solvent Credits.....	42,077,030.	42,077.03	.10
Total Assessed by State Board of Equalization .....	\$129,673,670.	\$ 3,490,756.84	.....
Total of Above Assessments.....	\$984,089,120.	.....	.....
Total Tax Yield, 1939-1940.....		\$32,566,808.81	.....
Reassessments .....		4,493.56	.....
Total Tax Yield.....		\$32,571,302.37	.....

CITY AND COUNTY OF SAN FRANCISCO  
 AMOUNTS OF TAX LEVIES AND DELINQUENCIES  
 Fiscal Years 1930-31 to 1938-39

Fiscal Year	Amount of Levy	Uncollected at June 30		Uncollected June 30, 1939 Amount	%
		Amount	%		
1930-1931.....	\$33,177,550.65	\$ 544,801	1.64	\$ 57,694.97*	.17
1931-1932.....	32,714,463.72	718,830	2.20	38,616.76	.11
1932-1933.....	31,752,725.86	1,706,581	5.37	283,985.72	.89
1933-1934.....	26,583,269.62	1,316,809	4.95	230,471.74	.86
1934-1935.....	28,808,182.68	958,096	3.33	112,205.73	.38
1935-1936.....	30,634,662.45	612,784	2.00	103,370.08	.33
1936-1937.....	30,986,643.33	449,704	1.45	110,554.95	.35
1937-1938.....	31,994,074.61	483,081	1.50	183,747.84	.57
1938-1939.....	33,337,811.68	442,132	1.32	442,132.34	1.32

\*Includes delinquent taxes for fiscal year 1930-1931 and those of prior years.

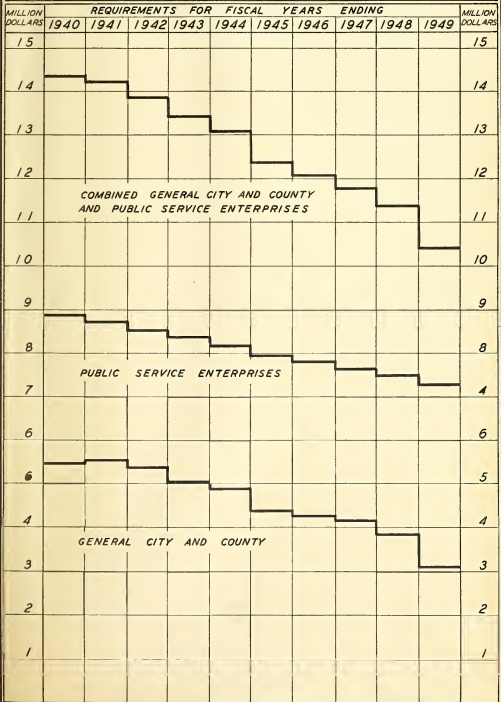
COMPARISON OF PERCENTAGES OF TAX DELINQUENCY  
AVERAGE OF 9 OTHER CITIES OVER 600,000 POP  
WITH  
CITY AND COUNTY OF SAN FRANCISCO



CITY AND COUNTY OF SAN FRANCISCO  
AVERAGE NET INTEREST COST  
ON BONDS ISSUED

%	FOR FISCAL YEAR ENDING												%
	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	
5					4.89								5
4	4.47	4.43	4.50	4.24		4.32	4.07						4
3								3.39					3
2									2.68	2.63			2
1												1.82	1

**CITY AND COUNTY OF SAN FRANCISCO  
BOND INTEREST AND REDEMPTION**



CITY AND COUNTY OF SAN FRANCISCO  
BONDED DEBT LIMIT

At July 1, 1939

(Section 104 of the Charter)

12% of Assessment Roll of \$984,089,120 for 1939-40 .....		\$118,090,694
Bonded Debt not Matured—July 1, 1939.....	\$153,755,500	
Bonded Debt not Matured—July 1, 1939		
(Exempt from 12% limit).....	103,664,000	50,091,500
		<u>\$ 67,999,194</u>
Deduct unsold not exempt from 12% limit....		2,286,000
Limit of Future Bond Issues .....		<u><u>\$ 65,713,194</u></u>



CITY AND COUNTY OF SAN FRANCISCO  
 OLD AGE SECURITY—MAINTENANCE OF MINORS—WIDOWS' PENSIONS—NEEDY BLIND  
 SOURCES OF FUNDS, FISCAL YEARS 1931-32 to 1938-39, INCLUSIVE

SOURCES OF FUNDS:	Year Ended June 30, 1932	Year Ended June 30, 1933	Year Ended June 30, 1934	Year Ended June 30, 1935	Year Ended June 30, 1936	Year Ended June 30, 1937	Year Ended June 30, 1938	Year Ended June 30, 1939
<b>Old Age Security:</b>								
Federal Aid to State.....	-----	-----	-----	-----	\$ 70,402.22	\$ 424,763.87	\$ 631,788.30	\$ 788,887.03
Federal Aid to County.....	-----	-----	-----	-----	70,402.21	424,763.85	631,788.30	788,887.04
Total Federal Aid.....	-----	-----	-----	-----	140,804.43	849,527.72	1,263,576.60	1,577,774.07
From State Revenues.....	\$ 163,840.75	\$ 173,793.06	\$ 191,068.63	\$ 217,557.94	348,382.49	536,594.01	812,746.72	1,452,315.15
From County Taxes.....	164,216.03	174,035.90	194,785.72	218,020.70	353,005.25	537,504.44	814,652.57	566,468.67
Total from all Sources.....	\$ 328,056.78	\$ 347,828.96	\$ 385,854.35	\$ 435,578.64	\$ 842,192.17	\$ 1,923,626.17	\$ 2,890,975.89	\$ 3,596,557.89
<b>Maintenance of Minors:</b>								
Federal Aid to State.....	-----	-----	-----	-----	-----	\$ 19,245.91	\$ 19,852.98	\$ 22,366.30
Federal Aid to County.....	-----	-----	-----	-----	-----	15,898.62	16,493.23	18,826.23
Total Federal Aid.....	-----	-----	-----	-----	-----	\$ 35,144.53	\$ 36,346.21	\$ 41,192.53
From State Revenues.....	\$ 150,135.81	\$ 157,804.75	\$ 146,112.68	\$ 154,635.41	\$ 159,475.50	140,088.66	163,522.06	188,971.80
From County Taxes.....	516,913.57	476,923.99	410,950.58	397,389.08	365,254.77	349,910.30	361,609.23	376,087.09
Total from all Sources.....	\$ 667,049.38	\$ 634,728.74	\$ 557,063.26	\$ 552,024.49	\$ 524,730.27	\$ 525,143.49	\$ 561,477.50	\$ 606,251.42
<b>Widows' Pension:</b>								
Federal Aid to State.....	-----	-----	-----	-----	-----	\$ 33,467.84	\$ 35,239.99	\$ 37,005.50
Federal Aid to County.....	-----	-----	-----	-----	-----	29,351.21	29,431.17	31,255.15
Total Federal Aid.....	-----	-----	-----	-----	-----	\$ 62,819.05	\$ 64,671.16	\$ 68,260.65
From State Revenues.....	\$ 97,755.00	\$ 108,745.63	\$ 116,065.24	\$ 120,020.93	\$ 128,497.98	97,837.37	121,669.90	137,136.57
From County Taxes.....	77,926.38	93,437.77	93,551.95	102,488.03	111,118.95	85,942.76	135,777.98	121,289.85
Total from all Sources.....	\$ 175,681.38	\$ 202,183.40	\$ 209,617.19	\$ 222,508.96	\$ 239,616.93	\$ 246,599.18	\$ 322,119.04	\$ 326,687.07
<b>Needy Blind:</b>								
Federal Aid to State.....	-----	-----	-----	-----	-----	\$ 25,884.45	\$ 33,612.01	\$ 40,808.25
Federal Aid to County.....	-----	-----	-----	-----	-----	25,884.44	33,612.00	40,808.25
Total Federal Aid.....	-----	-----	-----	-----	-----	\$ 51,768.89	\$ 67,224.01	\$ 81,616.50
From State Revenues.....	\$ 33,824.92	\$ 36,699.79	\$ 43,571.92	\$ 49,780.48	\$ 52,468.60	44,950.03	73,302.64	91,810.16
From County Taxes.....	34,184.90	37,005.73	44,906.92	49,820.49	54,715.21	46,967.58	74,174.85	91,905.76
Total from all Sources.....	\$ 68,009.82	\$ 73,705.52	\$ 88,478.84	\$ 99,600.97	\$ 107,183.81	\$ 143,686.50	\$ 214,701.50	\$ 265,332.42
<b>ECAPITULATION—SOURCES OF FUNDS:</b>								
Federal Aid to State.....	-----	-----	-----	-----	\$ 70,402.22	\$ 503,362.07	\$ 720,493.28	\$ 889,067.08
Federal Aid to County.....	-----	-----	-----	-----	70,402.21	495,898.12	711,324.70	879,776.67
Total Federal Aid.....	-----	-----	-----	-----	\$ 140,804.43	\$ 999,260.19	\$ 1,431,817.98	\$ 1,768,843.75
From State Revenues.....	\$ 445,556.48	\$ 477,043.23	\$ 496,818.47	\$ 541,994.76	688,824.57	819,470.07	1,171,241.32	1,870,233.68
From County Taxes.....	793,240.88	781,403.39	744,195.17	767,718.30	884,094.18	1,020,325.08	1,386,214.63	1,155,751.37
TOTAL FROM ALL SOURCES.....	\$1,238,797.36	\$1,258,446.62	\$1,241,013.64	\$1,309,713.06	\$1,713,723.18	\$2,839,055.34	\$3,989,273.93	\$4,794,828.80

te: This is a statement of actual aid and does not include administrative expense.



*Report on Examination of Accounts*  
OFFICE OF THE CONTROLLER  
FOR THE FISCAL YEAR ENDED JUNE 30, 1939

(Wherever italics appear in this Report, they indicate red figures.)



# LYBRAND, ROSS BROS. & MONTGOMERY

ACCOUNTANTS AND AUDITORS

2 PINE STREET

SAN FRANCISCO, CALIFORNIA

October 6, 1939.

To the Honorable Board of Supervisors, City and County of San Francisco,  
San Francisco, California.

Dear Sirs:

In accordance with your resolution No. 426, adopted July 24, 1939, we have examined the accounts of the office of the controller of the

## CITY AND COUNTY OF SAN FRANCISCO

for the year ended June 30, 1939, as hereinafter outlined.

Annexed we submit statements which, subject to the comments contained in the following paragraphs of this report, in our opinion, set forth the financial condition of the city and county as at June 30, 1939, and its revenues and expenditures for the year then ended. These statements include separate balance sheets and income and surplus accounts of the city and county owned public service enterprises, which reflect the figures shown by audit reports on file for those units.

*Scope of Examination:* Section 64 of the charter provides that the controller shall devise adequate systems of internal check. Our review of the procedure in effect in the various divisions of the controller's office, in connection with our investigation of the internal audit and recordation of revenues, expenditures, appropriations, and encumbrances, indicates that the internal check is adequate.

Section 66 of the charter provides that the controller shall audit the accounts of all boards, officers, and employees of the city and county charged in any manner with the custody, collection, or disbursement of funds. Our work in connection with such accounts was restricted to a review of the reports and working papers that had been prepared by the controller's audit staff; however, many of the departments have not been recently audited.

Our examination of the property accounts was limited to a review of the recorded additions and retirements for the year.

We made a general review and test check of the recorded revenues and expenditures for the year. We also compared them with those of the preceding year and investigated and obtained satisfactory explanations for all substantial fluctuations. However, under the terms of our engagement we did not examine all transactions for the year.

We also examined the special and trust funds balance sheet as at June 30, 1939.

The accounts of the airport were audited by the controller, while those of the other city and county owned public service enterprises (water, power, and street railway) were audited by independent accountants. The figures included in this report are in agreement with such audit reports, and are subject to the comments contained therein, particularly with respect to (1) the income account of the San Francisco Water Department not showing a charge for water received from Hetch Hetchy and (2) the reallocation of Hetch Hetchy properties as between water and power.

## REVENUES, EXPENDITURES, AND CURRENT SURPLUS

A condensed summary of the general city and county revenues, expenditures, and current surplus for the year ended June 30, 1939, comparative with the preceding year, follows:

	Year Ended June 30	
	1939	1938
Revenues:		
Property taxes and penalties.....	\$33,351,698.37	\$32,076,925.63
Other taxes and licenses.....	796,056.88	763,362.59
Received through State of California.....	11,370,122.31	10,679,979.21
Departmental revenues.....	1,764,644.89	1,683,044.24
Interest earned.....	34,384.56	37,459.97
Rents .....	18,032.80	18,743.31
Court fines.....	164,094.51	186,124.83
Contribution from Water Department.....	990,826.00	1,734,330.10
Federal grants.....	7,451.01	104,639.37
Cash transferred from capital funds.....	270,296.58	634,985.54
Miscellaneous, net .....	148,484.73	.....
	<u>\$48,916,092.64</u>	<u>\$47,919,594.79</u>
Expenditures:		
Departmental expenses.....	\$36,454,440.69	\$34,604,364.41
Bond redemption .....	2,925,100.00	3,125,100.00
Bond interest.....	2,113,474.87	2,242,890.46
Other interest .....	49,659.11	106,345.79
Pensions and compensation insurance.....	2,393,309.71	2,292,162.26
Judgments and losses.....	86,523.69	79,354.38
Publicity and advertising.....	285,883.64	190,782.07
Contribution to Hetch Hetchy Project.....	2,643,091.50	2,574,232.59
Contribution to Airport.....	194,747.89	322,188.01
Contribution to Municipal Railway.....	.....	6,300.06
Capital additions from revenues.....	1,604,530.68	1,920,928.31
Special contribution as sponsor to P. W. A. School Fund for construction of schools.....	1,456,020.48	.....
Miscellaneous, net .....	.....	28,747.26
Total expenditures.....	<u>\$50,206,782.26</u>	<u>\$47,493,395.60</u>
Excess of expenditures over revenues, funded from current surplus in accordance with budget provisions .....	\$ 1,290,689.62	.....
Net revenues .....	.....	426,199.19
Current surplus from preceding year.....	6,267,124.52	5,840,925.33
Current surplus at close of year.....	<u>\$ 4,976,434.90</u>	<u>\$ 6,267,124.52</u>

The foregoing statement does not include the operations of the city and county owned public service enterprises, which are stated separately on page 45 of this report.

In accordance with section 64 of the charter, the public service enterprises keep their accounts in the same manner as privately owned and operated utilities.

The foregoing summary shows certain fluctuations of revenues and expenditures, in regard to which we submit the following comments:

*Property Taxes.* These showed an increase of \$1,274,772.74, as follows:

	Taxes	Tax Rate
1938-39. ....	\$33,351,698.37	\$4.04
1937-38. ....	32,076,925.63	3.871
Increase .....	<u>\$ 1,274,772.74</u>	

A summary of the assessment rolls follows:

Property assessed by City and County Assessor:

	1938-39	1937-38
Tangible property:		
Real estate and improvements.....	\$664,295,898	\$660,834,149
Personal property—secured .....	10,208,727	12,683,778
	<u>\$674,504,625</u>	<u>\$673,517,927</u>
Less, veterans' exemptions.....	6,543,924	6,362,970
	<u>\$667,960,701</u>	<u>\$667,154,957</u>
Personal property—unsecured .....	67,796,563	66,008,343
	<u>\$735,757,264</u>	<u>\$733,163,300</u>
Intangible property:		
Solvent credits (10 cents per \$100).....	<u>\$121,647,347</u>	<u>\$132,169,286</u>

Property assessed by State Board of Equalization:

Tangible property:		
Real estate and improvements.....	\$ 57,298,680	\$ 58,942,720
Personal property .....	30,932,540	31,073,360
	<u>\$ 88,231,220</u>	<u>\$ 90,016,080</u>
Intangible property:		
Solvent credits (10 cents per \$100).....	\$ 26,265,410	\$ 35,886,580
Total property subject to city and county taxes	<u>\$971,901,241</u>	<u>\$991,235,246</u>

The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

- (1) Railroad companies including street railways, herein defined to include interurban electric railways, whether operating in one or more counties
- (2) Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit, and other car-loaning and other car companies operating upon the railroads in the state
- (3) Companies doing express business on any railroad, steamboat, vessel, or stage line in this state
- (4) Telegraph and telephone companies
- (5) Companies engaged in the transmission or sale of gas or electricity."

*Other Taxes and Licenses:* A comparative summary follows:

	Year Ended June 30	
	1939	1938
Business licenses, etc.:		
Business licenses and inspection fees.....	\$275,786.02	\$278,681.77
Vehicle licenses (municipal).....	24,764.50	26,245.00
Ferry licenses.....	1,200.00	1,900.00
Building permits, etc.:		
Building permits .....	99,995.60	76,872.40
Marriage licenses.....	13,040.00	13,390.00
Miscellaneous .....	43,430.55	42,415.45
Franchise taxes:		
The Pacific Telephone and Telegraph Company.....	274,944.16	271,857.97
Market Street Railway Company.....	40,157.15	48,000.00
California Street Cable Railroad Company.....	4,536.86	4,000.00
American District Telegraph Company.....	18,202.04	.....
	<u>\$796,056.88</u>	<u>\$763,362.59</u>

*Revenues Received Through the State of California:* A comparative summary follows:

	Year Ended June 30	
	1939	1938
Common schools .....	\$ 2,406,111.39	\$ 2,504,015.25
High schools .....	2,215,139.06	2,132,802.14
County roads .....	1,241,965.52	1,254,206.39
* Needy aged .....	3,067,077.03	2,110,338.30
Beverage licenses .....	499,415.40	843,107.01
Special gas tax street improvement .....	577,224.05	577,393.60
Motor vehicle licenses .....	535,608.92	529,657.84
* Orphans and half orphans .....	233,673.79	209,727.45
* Widows' pensions .....	212,143.20	193,215.09
* Needy blind .....	173,426.66	135,265.14
Tubercular patients .....	90,698.72	90,355.33
Fire boats .....	83,091.03	83,361.35
* Federal aid to high schools .....	31,142.16	16,534.32
Filing fees .....	3,405.38	.....
	<u>\$11,370,122.31</u>	<u>\$10,679,979.21</u>

\* Includes federal aid received through State.

Needy aged grants in aid increased \$956,738.73, as follows:

	1938-39	1937-38	Increase
State and federal grants based upon pensions paid by the city and county .....	\$2,624,255.06	\$2,110,338.30	\$513,916.76
Additional grants of surplus state funds .....	442,821.97	.....	442,821.97
	<u>\$3,067,077.93</u>	<u>\$2,110,338.30</u>	<u>\$956,738.73</u>

These represent state and federal grants in aid to partially reimburse the city and county for the cost of old age pensions. These costs, as shown on page 43 of this report, were as follows:

1938-39 .....	\$3,597,510.01
1937-38 .....	2,897,194.73
Increase .....	<u>\$ 700,315.28</u>

The increase in costs is due principally to an increase in the number of cases occasioned by the following changes in the state law effective September 1, 1937:

1. Removal of the clause which provided that a lien be placed against real property as security for reimbursement of the amount of aid paid.

2. Amendment of the provision prohibiting aid to those having relatives able to support them, by substitution of a provision that aid may be given to those who are not receiving adequate support.

The following tabulation indicates the amount borne by the various governments for a pension of \$35.00 per month:

City and County of San Francisco .....	\$10.00
State of California .....	10.00
Federal Government .....	15.00
	<u>\$35.00</u>

The Federal Government also pays five per cent of its share of \$15.00 for administration. This is divided equally between the State and the City and County of San Francisco.



Beverage licenses showed a decrease of \$343,691.61 as follows:

1937-38:

For the calendar year 1937.....	\$461,671.17
For the six months ended June 30, 1938.....	381,435.84
	<u>\$843,107.01</u>

1938-39:

For the fiscal year ended June 30, 1939.....	\$499,415.40
Decrease.....	<u>\$343,691.61</u>

*Departmental Expenses:* These expenses increased \$1,850,076.28, as follows:

	Year Ended June 30	
	1939	1938
General government .....	\$ 3,238,229.08	\$ 3,019,105.86
Protection of life and property.....	7,479,576.97	7,268,345.91
Education .....	9,795,313.14	9,687,961.75
Recreation .....	2,325,697.34	2,263,946.40
Charities, hospitals, and corrections.....	10,495,145.04	9,270,225.45
Conservation of health.....	729,965.03	720,669.99
Sanitation .....	980,792.83	949,076.64
Highways .....	1,219,195.49	1,230,210.82
Other .....	190,525.77	194,821.59
	<u>\$36,454,440.69</u>	<u>\$34,604,364.41</u>
	34,604,364.41	
Increase.....	<u>\$ 1,850,076.28</u>	

A detailed comparison of these expenses is shown on pages 42 and 43 of this report.

### PROPRIETARY BALANCE SHEET COMMENTS

The following comments refer to various items which appear on the proprietary balance sheet:

*Properties:* A summary of the property accounts is shown on page 46 of this report. We examined the vouchers for the major additions to the general city and county properties during the year and found that they represented proper capital charges.

*Cash:* Cash on deposit with the treasurer as at June 30, 1939, amounting to \$23,998,014.66, and the imprest funds of the general city and county were verified by the controller. Our review of the working papers indicated that such verification had been properly performed, and that the treasurer had complied with Section 82 of the charter, which regulates the receipt, custody, and deposit of public funds.

As at June 30, 1939, the tax collector had on deposit in special bank accounts some \$40,000 which he had collected as installments on unsecured personal property taxes from taxpayers who were unable to pay these taxes in one payment. As and when the final installments on these taxes are collected the tax collector deposits the full amounts with the treasurer.

Our examination also developed that certain general city and county departments carried trust funds which had not been deposited with the treasurer, in amounts approximately as follows as at June 30, 1939:

Public Administrator; for account of estates of deceased persons	\$378,000
Sheriff; deposits placed with him by court order, deposits by litigants to cover fees, collections from judgment debtors, etc.	56,000
Board of Trustees of California Palace of Legion of Honor; for the Huntington Maintenance Fund.....	50,000

The City Attorney has advised us that the Public Administrator and Sheriff are legally charged with the personal custody of these funds.

The charter (Section 50) provides that the Board of Trustees of the California Palace of Legion of Honor shall have exclusive charge of all real and personal property of that institution.

In accordance with our engagement we did not verify these funds, nor are they stated in the annexed financial statements.

*Taxes Receivable:* A summary of taxes receivable follows:

Secured taxes:	
1938-39 .....	\$374,744.41
1937-38.....	144,579.12
1936-37.....	87,546.14
Prior years.....	324,547.07
	<hr/>
	\$931,416.74
Penalties and costs on delinquent secured taxes for 1938-39 .....	\$ 14,318.57
	<hr/>
	\$945,735.31
Less, installment collections.....	114,449.41
	<hr/>
	<u>\$831,285.90</u>

The following taxes and penalties not included above are fully covered by a reserve for uncollectible taxes:

Unsecured taxes, including penalties and costs..	\$739,395.24
Interest, penalties, and costs on delinquent secured taxes prior to 1938-39.....	237,905.16
	<hr/>
	<u>\$977,300.40</u>

Section 3817 of the Political Code of the State of California was extended to provide for the cancellation of penalties, costs, and interest on delinquent taxes for 1937-38 and prior years if redemption is effected before September 1, 1939. This does not apply to delinquent taxes for 1938-39.

Taxes receivable were not confirmed by communication with the property owners.

*Revenues Accrued and Accounts Receivable:* These receivables consist of the following:

State of California.....	\$1,971,111.26
Franchise revenues.....	230,450.00
Accrued interest on investment bonds.....	379,623.89
Other .....	39,280.57
	<hr/>
Total general city and county.....	\$1,720,465.72
Accounts receivable, public service enterprises .....	935,843.25
	<hr/>
	<u>\$2,656,308.97</u>

Amounts due from the State of California are herewith detailed:

County roads .....	\$ 477,715.76
Beverage licenses .....	306,881.75
Special gas tax street improvement .....	174,468.08
Motor vehicle licenses .....	40,045.67
Fire boats .....	27,000.00
Tubercular patients .....	45,000.00
	<hr/>
	<u>\$1,071,111.26</u>

These are in agreement with copies of claims on file against the state, estimates of amounts for which claims had not been submitted, and/or subsequent collections.

Accrued franchise revenues are as follows:

The Pacific Telephone and Telegraph Company, for the nine months ended June 30, 1939.....	\$206,000.00
Market Street Railway Company, for the six months ended June 30, 1939 .....	20,000.00
California Street Cable Railroad Company, for the six months ended June 30, 1939.....	2,200.00
American District Telegraph Company, for the six months ended June 30, 1939.....	2,250.00
	<u>\$230,450.00</u>

*Investment Securities:* A summary follows:

	Par Values	Book Values
Employees' Retirement System (bonds):		
United States Government.....	\$ 400,000	\$ 425,787.75
State of California.....	3,361,000	3,443,555.16
City and County of San Francisco.....	3,520,100	3,684,254.32
East Bay Municipal Utility District.....	1,668,000	1,835,891.23
City of New York.....	2,911,000	3,291,248.58
Los Angeles Flood Control District.....	1,203,000	1,436,406.86
Golden Gate Bridge and Highway District.....	500,000	563,490.09
City of Los Angeles.....	2,172,000	2,524,966.01
Marin Municipal Water District.....	372,000	390,439.03
City of Richmond.....	414,000	441,735.46
City of Sacramento.....	408,000	442,910.41
City of Stockton.....	377,600	408,924.70
Metropolitan Water District of Southern California .....	1,491,000	1,651,343.14
Other California cities, counties, and school districts.....	1,833,262	1,918,946.19
Railroads .....	601,100	594,468.33
Public utilities.....	786,500	806,618.99
	<u>\$22,019,562</u>	<u>\$23,860,986.25</u>
Bequest and trust funds (stocks and bonds).....	130,426	185,722.97
	<u>\$22,149,988</u>	<u>\$24,046,709.22</u>

These securities are in the joint custody of the controller and the treasurer. The controller has verified the securities and the collection of interest and dividends. Since the securities were purchased for investment, we have not attempted to determine their market values. None of the bonds were in default as to principal or interest as at June 30, 1939.

In accordance with Section 159 of the charter, the Retirement Board has exclusive control of the administration and investment of the funds of the Retirement System.

*Deferred Charges:* A summary follows:

General city and county:

Relief expenditures financed by long-term loans	\$ 6,237,701.30
Commitments (contra).....	6,292,476.13
Materials and supplies.....	359,834.14
Other .....	17,000.00

\$12,907,011.57

Public service enterprises..... 1,571,898.23

\$14,478,909.80

Relief expenditures, \$6,237,701.30, resulted from an outlay for unemployment relief, which was financed as follows:

Sale of relief bonds.....	\$6,500,000.00	
Less, redemptions.....	1,626,000.00	
		\$4,874,000.00
Loans from State of California.....	\$2,017,261.00	
Less payments thereon.....	653,559.70	
		1,363,701.30
		<u>\$6,237,701.30</u>

The relief bonds mature at the rate of \$542,000 per year. The balances of the loans from the State of California, represented by three notes maturing in annual installments, are as follows:

Balance Due	Annual Installment
\$ 800,000.00.....	\$100,000.00
330,425.30.....	55,070.90
233,276.00.....	46,655.20
<u>\$1,363,701.30</u>	

Commitments are herewith detailed:	Original Amount	Unpaid Balance
Employees' Retirement System.....		\$4,677,305.36
Land purchases:		
Fleishhacker playground.....	\$ 363,986.00	288,963.03
Lafayette Park.....	200,000.00	100,000.00
Sigmund Stern Grove.....	50,000.00	25,000.00
Other commitments:		
Voting machine purchase.....	1,505,300.00	45,195.14
Merry-go-round purchase.....	31,835.00	7,387.21
Joint Highway District No. 9.....	368,354.00	187,954.25
Joint Highway District No. 10.....	818,000.00	741,525.00
Judgments.....		219,146.14
		<u>\$6,292,476.13</u>

These commitments represent payments which will be made from the revenues of future years.

Materials and supplies are shown at their book values.

*Bonded Indebtedness:* We verified the changes in bonded indebtedness for the year ended June 30, 1939, as follows:

	Total	Public Service Enterprises	General City and County
Outstanding June 30, 1938.....	\$161,145,200	\$112,279,500	\$ 48,865,700
Sold during year.....	4,154,000	955,000	3,199,000
	<u>\$165,299,200</u>	<u>\$113,234,500</u>	<u>\$ 52,064,700</u>
Redeemed during year.....	8,055,400	3,954,300	4,101,100
Outstanding June 30, 1939.....	<u>\$157,243,800</u>	<u>\$109,280,200</u>	<u>\$ 47,963,600</u>

Bonds authorized but not issued as at June 30, 1939 amounted to \$2,286,000, as follows:

	Authorized	Issued	Unissued
General city and county:			
1938 School.....	\$2,800,000	\$1,943,000	\$ 857,000
1938 Hospital.....	1,600,000	1,416,000*	184,000
Public service enterprises:			
1938 Airport.....	2,850,000	1,605,000	1,245,000
			<u>\$2,286,000</u>

\* Including \$160,000 cancelled

Section 104 of the charter provides that the bonded debt, exclusive of (1) debt incurred for the financing of public improvements, the cost of which is assessed against private property benefited thereby, and (2) debt incurred for water supply, storage, or distribution purposes, shall not exceed 12 per cent of the assessed value of all real and personal property subject to city and county taxes.

A summary of the assessment roll of March 6, 1939 (for the year 1939-40) follows:

Real estate and improvements and secured personal property, taxable at \$3.937 per \$100 (1939-40 rate).....	\$756,814,118
Unsecured tangible personal property, taxable at \$4.04 per \$100 (1938-39 rate).....	64,562,440
Total tangible property .....	\$821,376,558
Solvent credits, taxable at the rate of 10 cents per \$100.....	162,712,562
Total property subject to city and county taxes.....	<u>\$984,089,120</u>

The tax rate of ten cents per \$100 on solvent credits was first applied in the fiscal year 1929-30. Prior to that year solvent credits were taxed at the same rates as tangible property. The 12 per cent limit on bonded indebtedness was fixed by a charter amendment voted November 2, 1926. Prior to that date the limit was 15 per cent.

Bonded debt as at July 1, 1939, subject to the 12 per cent limit, amounted to \$52,377,500, as follows:

Bonds not matured.....	\$153,755,500
Add, unsold bonds subject to the 12 per cent limit.....	2,286,000
	<u>\$156,041,500</u>
Deduct, bonds not subject to the 12 per cent limit:	
Hetch Hetchy .....	\$64,225,000
Water Department.....	39,439,000
	<u>103,664,000</u>
Bonded debt subject to the 12 per cent limit.....	<u>\$ 52,377,500</u>

From the foregoing it will be seen that the charter provision with respect to bonded debt limit has been complied with.

*Accounts and Notes Payable:* These liabilities are herewith summarized:  
General city and county:

Contracts, purchase orders, etc.....	\$ 3,925,027.61
Relief loans from State of California.....	1,363,701.30
Accrued interest thereon.....	172,826.65
Warrants outstanding.....	1,277,243.58
Commitments (contra).....	6,292,476.13
	<u>\$13,031,275.27</u>
Public service enterprises.....	1,530,208.25
	<u>\$14,561,483.52</u>

Contracts, purchase orders, etc., were verified by reference to the supporting records and by a review of the procedure in connection with the controller's audit, approval, and recordation of these liabilities.

Relief loans from the State of California consist of three loans, as follows:

Date of Loan	Interest Rate	Original Amount	Unpaid Balance	Payable in Annual Installments of
Nov. 16, 1933	4 $\frac{1}{4}$ %	\$1,000,000	\$ 800,000.00	\$100,000.00
Aug. 11, 1934	3 $\frac{3}{4}$ %	550,709	330,425.30	55,070.90
Apr. 26, 1934	4 $\frac{1}{2}$ %	466,552	233,276.00	46,655.20
			<u>\$1,363,701.30</u>	

These loans were made under the provisions of the Unemployment Relief Bond Act of 1933 and were authorized by the Board of Supervisors.

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. The bonds of that district, amounting to \$35,000,000, are general obligations of the district and are payable (to the extent that revenues of the district may be insufficient to meet operating expenses, interest, and redemption charges) from ad valorem taxes which may be levied, without limitation as to rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte Counties and portions of Napa and Mendocino Counties. The annual report of the district for the year ended June 30, 1939, showed that the bridge operations for that year had resulted as follows:

Operating revenues.....	\$1,903,372.75
Operating expenses.....	526,322.65
Net operating income.....	\$1,377,050.10
Interest received on operating balances.....	1,489.20
Total income.....	<u>\$1,378,539.30</u>
Bond interest .....	\$1,519,500.00
Less interest received on Interest Fund deposits. ....	5,957.98
	<u>1,513,542.02</u>
Net loss (exclusive of \$4,379.39 interest received on Reserve Interest Fund deposits) \$	<u>135,002.72</u>

The following contingent liabilities exist through unsettled lawsuits against the City and County of San Francisco, exclusive of litigation in connection with the public service enterprises:

- Lawsuits of school teachers for salary adjustments of prior years.
- Lawsuit by The Pacific Telephone and Telegraph Company contending that its properties were overassessed by the State Board of Equalization.

The City Attorney has stated to us that it is impossible at this time to determine the amounts involved in these actions.

## FUND BALANCE SHEET COMMENTS

A summary of the fund balance sheets with statements showing in detail the status of the various funds, will be found on pages 53 to 63 of this report.

A reconciliation of the fund balance sheet with the proprietary balance sheet follows:

## Fund balance sheet:

Special and trust funds.....	\$ 25,683,441.07	
Surplus .....	16,060,172.12	\$ 41,743,613.19

Add, proprietary assets not shown in fund balance sheet, since they do not represent fund resources:

Properties, net.....	373,524,241.95	
Account receivable from City of Palo Alto, collectible over a period of years.....	215,419.37	
Deferred charges.....	14,478,909.80	
		<u>\$429,962,184.31</u>

Deduct, proprietary liabilities not shown in fund balance sheet, representing charges against revenues of future years, and deferred credits:

Bonded debt unmatured.....	\$153,755,500.00	
Bond interest unmatured.....	399,014.73	
Bonds and interest due July 1, 1939, included in 1939-40 budget.....	1,124,513.75	
Commitments .....	6,292,476.13	
Land purchase agreement (Airport).....	105,000.00	
Hetch Hetchy rent due July 1, 1939.....	30,000.00	
Relief loans from State.....	1,363,701.30	
Accrued interest thereon.....	172,826.65	
Other deferred credits.....	823,704.69	
		<u>164,066,737.25</u>
		<u>\$265,895,447.06</u>

Deduct, fund resources not shown in proprietary balance sheet:

Federal grants (unearned portion).....	1,478,622.11	
Unsold bonds, par value.....	2,286,000.00	
		<u>3,764,622.11</u>

## Proprietary balance sheet:

Special and trust funds.....	25,693,782.99	
Surplus .....	236,437,041.96	
		<u>\$262,130,824.95</u>

The following funds showed deficits as at June 30, 1939:

Auditorium .....	\$167,930.42
Firemen's Relief and Pension.....	171,313.03
Police Relief and Pension.....	103,235.58
	<u>\$442,479.03</u>

These deficits were created prior to the adoption of the present charter, which became operative January 8, 1932.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.

2. Payment of that portion of the authorized expenses of the city and county for any fiscal year which, as certified by the controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The cash reserve fund as at June 30, 1939 had a balance of \$3,224,957.66 as follows:

Cash .....	\$ 77,153.93
Temporary loans to other funds.....	2,733,006.34
Interfund accounts receivable which will be liquidated through collections of taxes and other revenues.....	414,797.39
	<u>\$3,224,957.66</u>

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

*Surety Bonds:* We inspected the surety bonds covering the various officers of the city and county and determined that the charter provisions had been complied with.

All surety bonds on file have been approved by the controller in accordance with Bill No. 1603, Ordinance No. 4,045, approved July 15, 1938. The basis used by the controller for this purpose is the list and limits of acceptable sureties on federal bonds published by the U. S. Treasury Department.

We wish to express our appreciation to the controller and his staff for their cooperation and for the many courtesies extended to us during the course of our examination.

Very truly yours,

LYBRAND, ROSS BROS. & MONTGOMERY.



CITY AND COUNTY OF SAN FRANCISCO  
PROPRIETARY BALANCE SHEET

June 30, 1939

## ASSETS:

	GENERAL CITY AND COUNTY					
	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Special and Trust Accounts
Fixed capital:						
Properties, details annexed.....	\$409,036,989.35	\$191,091,643.25	\$217,945,346.10	.....	\$217,945,346.10	.....
Less, allowance for depreciation..	35,512,747.40	35,512,747.40	.....	.....	.....	.....
	<u>\$373,524,241.95</u>	<u>\$155,578,895.85</u>	<u>\$217,945,346.10</u>	.....	<u>\$217,945,346.10</u>	.....
Cash:						
On deposit with treasurer.....	\$ 23,998,014.66	\$ 8,912,697.58	\$ 15,085,317.08	\$ 7,806,946.81	\$ 5,851,078.17	\$ 1,427,292.10
Other cash.....	72,176.72	45,176.72	27,000.00	27,000.00	.....	.....
	<u>\$ 24,070,191.38</u>	<u>\$ 8,957,874.30</u>	<u>\$ 15,112,317.08</u>	<u>\$ 7,833,946.81</u>	<u>\$ 5,851,078.17</u>	<u>\$ 1,427,292.10</u>
Accounts receivable:						
Taxes receivable, less allowance for uncollectible taxes.....	\$ 831,285.90	.....	\$ 831,285.90	\$ 831,285.90	.....	.....
Revenues accrued and other receivables .....	2,656,308.97	\$ 935,843.25	1,720,465.72	1,315,273.83	.....	\$ 405,191.89
	<u>\$ 3,487,594.87</u>	<u>\$ 935,843.25</u>	<u>\$ 2,551,751.62</u>	<u>\$ 2,146,559.73</u>	.....	<u>\$ 405,191.89</u>
Investment securities.....	<u>\$ 24,046,709.22</u>	.....	<u>\$ 24,046,709.22</u>	.....	.....	<u>24,046,709.22</u>
Interfund accounts (contra).....	<u>\$ 939,404.02</u>	<u>\$ 112,415.83</u>	<u>\$ 826,988.19</u>	<u>\$ 553,515.03</u>	<u>\$ 159,793.35</u>	<u>\$ 113,679.81</u>
Deferred charges:						
Relief expenditures financed by long-term loans .....	\$ 6,237,701.30	.....	\$ 6,237,701.30	\$ 6,237,701.30	.....	.....
Commitments (contra).....	6,292,476.13	.....	6,292,476.13	6,292,476.13	.....	.....
Materials and supplies.....	1,126,183.03	\$ 766,348.89	359,834.14	359,834.14	.....	.....
Other deferred charges.....	822,549.34	805,549.34	17,000.00	17,000.00	.....	.....
	<u>\$ 14,478,909.80</u>	<u>\$ 1,571,898.23</u>	<u>\$ 12,907,011.57</u>	<u>\$ 12,907,011.57</u>	.....	.....
	<u>\$440,547,051.24</u>	<u>\$167,156,927.46</u>	<u>\$273,390,123.78</u>	<u>\$ 23,441,033.14</u>	<u>\$223,956,217.62</u>	<u>\$ 25,992,873.02</u>

## Notes:

- Public Service Enterprises assets and liabilities are detailed on page 44 of this report.
- Bonds authorized but not issued as at June 30, 1939, amounted to \$2,286,000, as follows:

1938 Airport.....	\$1,245,000
1938 School.....	857,000
1938 Hospital .....	184,000
	<u>\$2,286,000</u>

## LIABILITIES:

	GENERAL CITY AND COUNTY					
	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Special and Trust Accounts
Bonded debt, details annexed:						
Due July 1, 1939.....	\$ 3,300,000.00	\$ 2,600,000.00	\$ 700,000.00	\$ 700,000.00	.....	.....
Due subsequently.....	153,755,500.00	106,669,000.00	47,086,500.00	4,874,000.00	\$ 42,212,500.00	.....
Matured, unpaid.....	188,300.00	11,200.00	177,100.00	177,100.00	.....	.....
	<u>\$157,243,800.00</u>	<u>\$109,280,200.00</u>	<u>\$ 47,963,600.00</u>	<u>\$ 5,751,100.00</u>	<u>\$ 42,212,500.00</u>	.....
Bond interest:						
Due July 1, 1939.....	\$ 2,458,207.50	\$ 2,033,693.75	\$ 424,513.75	\$ 424,513.75	.....	.....
Accrued, not due.....	399,014.73	70,345.40	328,669.33	328,669.33	.....	.....
Matured, unpaid.....	428,160.00	288,306.25	139,853.75	139,853.75	.....	.....
	<u>\$ 3,285,382.23</u>	<u>\$ 2,392,345.40</u>	<u>\$ 893,036.83</u>	<u>\$ 893,036.83</u>	.....	.....
Accounts and notes payable:						
Contracts, purchase orders, etc....	\$ 5,226,405.37	\$ 1,301,377.76	\$ 3,925,027.61	\$ 844,743.98	\$ 3,061,993.23	\$ 18,290.40
Relief loans from State of California .....	1,363,701.30	.....	1,363,701.30	1,363,701.30	.....	.....
Accrued interest thereon.....	172,826.65	.....	172,826.65	172,826.65	.....	.....
Warrants outstanding .....	1,506,074.07	228,830.49	1,277,243.58	999,707.46	27,455.78	250,080.34
Commitments (contra).....	6,292,476.13	.....	6,292,476.13	6,292,476.13	.....	.....
	<u>\$ 14,561,483.52</u>	<u>\$ 1,530,208.25</u>	<u>\$ 13,031,275.27</u>	<u>\$ 9,673,455.52</u>	<u>\$ 3,089,449.01</u>	<u>\$ 268,370.74</u>
Special and trust funds.....	<u>\$ 25,693,782.99</u>	.....	<u>\$ 25,693,782.99</u>	.....	.....	<u>\$ 25,693,782.99</u>
Interfund accounts (contra).....	<u>\$ 939,404.02</u>	<u>\$ 438,645.08</u>	<u>\$ 500,758.94</u>	<u>\$ 470,039.65</u>	.....	<u>\$ 30,719.29</u>
Deferred credits:						
Taxes collected for year 1939-40..	\$ 1,562,451.83	.....	\$ 1,562,451.83	\$ 1,562,451.83	.....	.....
Other deferred credits and reserves .....	823,704.69	709,190.28	114,514.41	114,514.41	.....	.....
	<u>\$ 2,386,156.52</u>	<u>\$ 709,190.28</u>	<u>\$ 1,676,966.24</u>	<u>\$ 1,676,966.24</u>	.....	.....
SURPLUS:						
Detailed statements annexed.....	\$236,437,041.96	\$ 52,806,338.45	\$183,630,703.51	\$ 4,976,434.90	\$178,654,268.61	.....
	<u>\$440,547,051.24</u>	<u>\$167,156,927.46</u>	<u>\$273,390,123.78</u>	<u>\$ 23,441,033.14</u>	<u>\$223,956,217.62</u>	<u>\$ 25,992,873.02</u>



## CAPITAL SURPLUS—GENERAL CITY AND COUNTY

For the Year Ended June 30, 1939

Balance, June 30, 1938.....	\$170,436,550.29
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## Add:

Matured bonds transferred to current funds ledger .....	\$2,925,100.00
Capital additions from revenues.....	1,604,530.68
Special contribution as sponsor to P. W. A. School Fund for construction of schools.....	1,456,020.48
Capital additions from trust funds.....	533,353.81
Federal grants earned.....	1,951,630.94
Premiums from bond sales.....	210.00
Gain from sales of property.....	12,635.56
Cancellation of old warrants.....	4,533.43
	<u>\$8,488,014.90</u>

## Deduct:

Cash transferred to current funds for bond redemption, interest, and purchase of lands .....	270,296.58
Net additions .....	<u>8,217,718.32</u>
Balance, June 30, 1939.....	<u><u>\$178,654,268.61</u></u>

# REVENUES, EXPENDITURES, AND CURRENT SURPLUS— GENERAL CITY AND COUNTY

For the Years Ended June 30, 1939 and 1938

## REVENUES

	Year Ended June 30	
	1939	1938
Property taxes:		
Real and personal property.....	\$33,250,339.85	\$31,984,125.97
Penalties on delinquencies.....	101,358.52	92,799.66
	<u>\$33,351,698.37</u>	<u>\$32,076,925.63</u>
Other taxes and licenses:		
Business and vehicle licenses.....	\$ 301,750.52	\$ 306,826.77
Franchise taxes.....	337,840.21	323,857.97
Building permits, etc.....	156,466.15	132,677.85
	<u>\$ 796,056.88</u>	<u>\$ 763,362.59</u>
Received through State of California, details on pages 28-29.....	<u>\$11,370,122.31</u>	<u>\$10,679,979.21</u>
Other revenues:		
Departmental revenues, details annexed.....	\$ 1,764,644.89	\$ 1,683,044.24
Contribution from Water Department.....	990,826.00	1,734,330.10
Court fines.....	164,094.51	186,124.83
Federal grants.....	7,451.01	104,639.37
Cash transferred from capital funds.....	270,296.58	634,985.54
Rents.....	18,032.80	18,743.31
Interest earned.....	34,384.56	37,459.97
Miscellaneous, net.....	148,484.73	.....
	<u>\$ 3,398,215.08</u>	<u>\$ 4,399,327.36</u>
Total revenues.....	<u>\$48,916,092.64</u>	<u>\$47,919,594.79</u>

## EXPENDITURES

Departmental expenses, details annexed.....	\$36,454,440.69	\$34,604,364.41
Bond redemption.....	2,925,100.00	3,125,100.00
Bond interest.....	2,113,474.87	2,242,890.46
Other interest.....	49,659.11	106,345.79
Pensions and compensation insurance.....	2,393,309.71	2,292,162.26
Judgments and losses.....	86,523.69	79,354.38
Publicity and advertising.....	285,883.64	190,782.07
Contributions to public service enterprises:		
Hetch Hetchy Project.....	2,643,091.50	2,574,232.59
Airport.....	194,747.89	322,188.01
Municipal Railway.....	.....	6,300.06
Capital additions from revenues.....	1,604,530.68	1,920,928.31
Special contribution as sponsor to P. W. A. School Fund for construction of schools.....	1,456,020.48	.....
Miscellaneous, net.....	.....	28,747.26
Total expenditures.....	<u>\$50,206,782.26</u>	<u>\$47,493,395.60</u>
Excess of expenditures over revenues, funded from current surplus in accordance with budget provisions.....	\$ 1,290,689.62	.....
Net revenues.....	.....	\$ 426,199.19
Current surplus from preceding year.....	6,267,124.52	5,840,925.33
Current surplus at close of year.....	<u>\$ 4,976,434.90</u>	<u>\$ 6,267,124.52</u>

## DEPARTMENTAL REVENUES—GENERAL CITY AND COUNTY

For the Years Ended June 30, 1939 and 1938

	Year Ended June 30	
	1939	1938
General government:		
County Clerk.....	\$ 93,180.50	\$ 99,479.05
Municipal Courts.....	69,300.15	68,007.50
Sheriff.....	36,848.23	40,372.05
City Engineer.....	17,957.74	16,107.83
Treasurer.....	15,011.46	14,737.93
Registrar.....	1,388.74	2,479.50
Other.....	5,621.34	5,230.32
	<u>\$ 239,308.16</u>	<u>\$ 246,414.18</u>
Protection of Life and Property:		
Recorder.....	\$ 119,107.62	\$ 116,714.25
Department of Electricity.....	96,144.43	87,036.41
Public Administrator.....	60,274.99	60,393.77
Public Pound.....	2,789.80	2,958.00
Fire Department.....	6,080.53	5,471.07
Police Department.....	1,408.84	2,558.89
Agricultural Commission.....	9,325.43	9,776.97
	<u>\$ 295,131.64</u>	<u>\$ 284,909.36</u>
Education:		
Schools.....	\$ 192,813.21	\$ 173,203.88
Library.....	22,378.64	20,682.75
	<u>\$ 215,191.85</u>	<u>\$ 193,886.63</u>
Recreation:		
Park Commission.....	\$ 405,268.68	\$ 411,660.49
Recreation Commission.....	55,833.08	54,515.96
Auditorium.....	58,445.03	33,819.29
War Memorial and Opera House.....	41,659.13	43,959.83
Art Commission.....	54,787.15	36,624.38
De Young Museum.....	252.44	319.84
California Palace of Legion of Honor.....	2,368.03	1,572.62
	<u>\$ 618,613.54</u>	<u>\$ 582,472.41</u>
Charities, hospitals, and corrections:		
Juvenile Detention Home.....	\$ 50,303.95	\$ 55,701.66
Board of U S. Prisoners.....	11,233.60	15,348.80
San Francisco Hospital.....	34,039.98	26,740.23
Relief Home.....	6,664.21	7,281.25
Other.....	16,009.86	631.95
	<u>\$ 118,251.60</u>	<u>\$ 105,703.89</u>
Other:		
Department of Health, Central Office.....	\$ 181,416.45	\$ 180,569.57
Department of Public Works, Highways.....	87,691.56	81,754.29
General and miscellaneous.....	9,046.09	7,333.91
	<u>\$ 278,148.10</u>	<u>\$ 269,657.77</u>
Total departmental revenues.....	<u>\$ 1,764,644.89</u>	<u>\$ 1,683,044.24</u>

## DEPARTMENTAL EXPENSES—GENERAL CITY AND COUNTY

For the Years Ended June 30, 1939 and 1938

	Year Ended June 30	
	1939	1938
General government:		
Board of Supervisors.....	\$ 77,431.29	\$ 60,349.23
Clerk of Board of Supervisors.....	38,120.44	40,644.21
Mayor .....	64,262.30	49,765.63
Chief Administrative Officer.....	27,887.27	22,980.38
Controller .....	258,246.55	267,954.88
Treasurer .....	55,777.58	56,182.37
Assessor .....	230,777.29	239,663.61
Tax Collector.....	150,504.15	152,035.31
City Attorney .....	82,514.94	87,332.51
District Attorney.....	118,360.25	115,953.72
Public Defender .....	19,407.85	19,406.10
Other general executives:		
Director of Finance and Records.....	7,986.31	9,655.76
Department of Public Works.....	67,867.00	70,335.76
City Engineer .....	258,083.13	225,478.42
Civil Service Commission.....	71,298.79	88,536.22
City Planning Commission.....	17,152.85	17,155.19
Central Permit Bureau.....	18,092.28	18,386.41
Board of Permit Appeals.....	8,020.64	8,031.62
Real Estate Department.....	20,198.77	22,496.37
Other .....	302.30	6,976.15
Judiciary:		
Municipal Courts.....	239,557.48	239,781.12
Superior Courts .....	234,112.81	236,769.19
County Clerk.....	133,179.43	136,999.50
Law Library .....	11,785.00	11,748.63
Grand Jury .....	10,816.00	12,830.91
Coroner .....	59,535.44	63,654.09
Sheriff .....	162,693.95	157,012.37
Elections .....	388,993.39	164,473.62
Care and maintenance of buildings.....	399,983.60	407,716.58
Rent of leased buildings.....	5,280.00	8,800.00
	<u>\$ 3,238,229.08</u>	<u>\$ 3,019,105.86</u>
Protection of life and property:		
Police Department.....	\$ 3,583,972.10	\$ 3,504,394.55
Fire Department .....	3,407,108.72	3,288,252.20
Recorder .....	97,768.88	103,527.64
Sealer of Weights and Measures.....	20,916.55	21,848.87
Inspection service .....	125,950.14	130,517.43
Department of Electricity.....	183,449.90	163,017.10
Public Pound.....	18,000.00	16,500.00
Public Administrator .....	42,410.68	40,288.12
	<u>\$ 7,479,576.97</u>	<u>\$ 7,268,345.91</u>
Education:		
Schools .....	\$ 9,391,879.53	\$ 9,230,467.42
Libraries .....	403,433.61	457,494.33
	<u>\$ 9,795,313.14</u>	<u>\$ 9,687,961.75</u>

(Continued)

## DEPARTMENTAL EXPENSES—GENERAL CITY AND COUNTY

(Continued)

For the Years Ended June 30, 1939 and 1938

	Year Ended June 30	
	1939	1938
<b>Recreation:</b>		
Educational .....	\$ 294,229.02	\$ 353,274.30
Parks .....	890,730.59	908,291.00
Golf links .....	142,040.22	135,718.00
Kezar Stadium .....	17,547.81	29,411.54
Music and celebrations .....	131,211.82	43,974.71
Auditorium .....	56,555.62	51,624.98
War Memorial and Opera House .....	129,365.48	128,181.05
Playgrounds .....	664,016.78	613,470.82
	<u>\$ 2,325,697.34</u>	<u>\$ 2,263,946.40</u>
<b>Charities, hospitals, and corrections:</b>		
General administration .....	\$ 208,095.56	\$ 211,533.21
Relief of needy and unemployed .....	2,431,297.55	2,097,288.15
Relief Home .....	612,752.72	592,388.78
Orphans and half orphans .....	624,306.54	534,132.96
Widows' pensions .....	390,567.82	339,613.43
Hospitals .....	1,813,804.47	1,797,316.44
Insane in hospitals .....	180,960.16	173,867.44
Needy aged .....	3,597,510.01	2,897,194.73
Needy blind .....	242,543.62	214,738.65
County jails .....	226,694.20	247,086.64
Juvenile Detention Home .....	36,591.28	40,088.55
Adult Probation Board .....	27,326.35	26,536.99
Juvenile Court .....	87,595.61	87,981.48
Burial of indigent dead .....	13,342.00	10,458.00
Co-ordinating Council expense .....	1,757.15	
	<u>\$10,495,145.04</u>	<u>\$ 9,270,225.45</u>
<b>Conservation of health:</b>		
General administration .....	\$ 59,835.77	\$ 60,229.19
Statistics .....	17,865.70	17,280.89
Prevention and treatment of contagious diseases .....	274,286.81	267,361.87
Child life conservation .....	276,469.12	271,862.97
Food regulation and inspection .....	101,507.63	103,935.07
	<u>\$ 729,965.03</u>	<u>\$ 720,669.99</u>
<b>Sanitation:</b>		
Sewers and sewage disposal .....	\$ 359,264.59	\$ 331,351.82
Street cleaning .....	545,636.94	538,895.25
Removal of dead animals .....	6,000.00	7,032.00
Inspection service .....	69,891.30	71,797.57
	<u>\$ 980,792.83</u>	<u>\$ 949,076.64</u>
<b>Highways:</b>		
Care and maintenance of highways and highway structures .....	\$ 457,322.73	\$ 444,536.14
Care of streets, roads, and alleys .....	10,404.47	55,227.26
Street lighting .....	751,468.29	730,447.42
	<u>\$ 1,219,195.49</u>	<u>\$ 1,230,210.82</u>
<b>Other:</b>		
Purchasing department .....	\$ 148,318.93	\$ 157,508.32
Administration of public trusts .....	42,206.84	37,313.27
	<u>\$ 190,525.77</u>	<u>\$ 194,821.59</u>
Total departmental expenses .....	<u>\$36,454,440.69</u>	<u>\$34,604,364.41</u>

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES  
PROPRIETARY BALANCE SHEET

June 30, 1939

ASSETS:

	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Airport
Fixed capital .....	\$191,091,643.25	\$70,728,292.79	\$106,191,871.53	\$10,331,592.23	\$ 3,839,886.70
Less, allowance for depreciation .....	35,512,747.40	20,291,062.61	8,793,028.12	6,149,755.95	278,900.72
	<u>\$155,578,895.85</u>	<u>\$50,437,230.18</u>	<u>\$ 97,398,843.41</u>	<u>\$ 4,181,836.28</u>	<u>\$ 3,560,985.98</u>
Cash:					
On deposit with treasurer .....	8,912,697.58	2,852,658.36	3,783,608.81	1,372,571.02	903,559.39
Other cash .....	45,176.72	30,000.00	8,476.72	6,500.00	200.00
Accounts receivable and accrued revenues .....	935,843.25	729,802.96	199,415.08	1,709.00	4,916.21
Interfund accounts:					
Public service enterprises (contra) .....	24,659.81	15,103.55	9,556.26	.....	.....
General city and county .....	87,756.02	28,162.61	220.36	55,764.24	3,608.81
Deferred charges .....	1,571,898.23	507,875.40	331,518.51	355,088.07	377,416.25
	<u>\$167,156,927.46</u>	<u>\$54,600,833.06</u>	<u>\$101,731,639.15</u>	<u>\$ 5,973,468.61</u>	<u>\$ 4,850,986.64</u>

LIABILITIES:

Bonded debt .....	\$109,280,200.00	\$40,441,000.00	\$ 65,833,000.00	\$ 1,401,200.00	\$ 1,605,000.00
Bond interest payable .....	2,392,345.40	861,927.50	1,496,908.32	18,815.83	14,693.75
Accounts payable .....	1,530,208.25	427,825.25	93,295.50	422,624.33	586,463.17
Interfund accounts:					
Public service enterprises (contra) .....	24,659.81	.....	14,643.31	72.13	9,944.37
General city and county .....	413,985.27	315,691.75	16,319.49	77,178.21	4,795.82
Deferred credits and reserves .....	709,190.28	593,402.34	16,719.52	98,785.54	282.88
	<u>\$114,350,589.01</u>	<u>\$42,639,846.84</u>	<u>\$ 67,470,886.14</u>	<u>\$ 2,018,676.04</u>	<u>\$ 2,221,179.99</u>

SURPLUS:

Detailed statement annexed .....	52,806,338.45	11,960,986.22	34,260,753.01	3,954,792.57	2,629,806.65
	<u>\$167,156,927.46</u>	<u>\$54,600,833.06</u>	<u>\$101,731,639.15</u>	<u>\$ 5,973,468.61</u>	<u>\$ 4,850,986.64</u>



CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES  
REVENUES, EXPENSES, AND SURPLUS  
For the Year Ended June 30, 1939

REVENUES AND EXPENSES:

	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Airport	Public Utilities Improvement Fund
Operating revenues.....	\$13,637,831.92	\$ 7,023,540.19	\$ 2,419,457.89	\$4,143,548.62	\$ 51,285.22	.....
Operating expenses.....	8,809,127.61	3,017,926.81	1,966,538.79	3,683,388.22	141,273.79	.....
	<u>\$ 4,828,704.31</u>	<u>\$ 4,005,613.38</u>	<u>\$ 452,919.10</u>	<u>\$ 460,160.40</u>	<u>\$ 89,988.57</u>	.....
Other revenues:						
Interest earned.....	\$ 18,102.53	\$ 15,000.06	.....	\$ 3,102.47	.....	.....
Rental.....	59,837.26	50,865.36	\$ 8,971.90	.....	.....	.....
Other.....	62,147.31	55,823.03	5,146.78	1,177.50	.....	.....
	<u>\$ 140,087.10</u>	<u>\$ 121,688.45</u>	<u>\$ 14,118.68</u>	<u>\$ 4,279.97</u>	.....	.....
Other expenses:						
Bond interest.....	\$ 4,913,570.77	\$ 1,786,943.34	\$ 3,053,677.43	\$ 72,083.33	\$ 866.67	.....
Other.....	89,157.12	46,030.90	43,126.22	.....	.....	.....
	<u>\$ 5,002,727.89</u>	<u>\$ 1,832,974.24</u>	<u>\$ 3,096,803.65</u>	<u>\$ 72,083.33</u>	<u>\$ 866.67</u>	.....
Net profit or loss.....	<u>\$ 33,936.48</u>	<u>\$ 2,294,327.59</u>	<u>\$ 2,629,765.87</u>	<u>\$ 392,357.04</u>	<u>\$ 90,855.24</u>	.....
SURPLUS:						
Balance, June 30, 1938.....	\$55,486,364.67	\$11,042,154.38	\$39,236,854.81	\$3,192,420.85	\$1,689,623.67	\$325,310.96
Add:						
Net profit or loss.....	33,936.48	2,294,327.59	2,629,765.87	392,357.04	90,855.24	.....
Contributions from taxes.....	1,847,013.39	990,826.00	2,643,091.50	.....	194,747.89	.....
Contributions from other funds.....	.....	582,062.84	582,062.84	.....	.....	.....
Revaluation of properties.....	4,031,277.69	.....	5,499,785.90	361,911.00	1,046,597.21	.....
Other additions or deductions, net.....	461,825.44	197,393.09	131,704.37	8,103.68	210,306.88	325,310.96
Balance, June 30, 1939.....	<u>\$52,806,338.45</u>	<u>\$11,960,986.22</u>	<u>\$34,260,753.01</u>	<u>\$3,954,792.57</u>	<u>\$2,629,806.65</u>	.....

# SUMMARY OF PROPERTIES

June 30, 1939

## General City and County:

### General Government:

Civic Center, including City Hall  
Hall of Justice

Total	Land	Buildings, Structures and Improvements	Equipment
\$ 8,799,310.32	\$ 2,235,954.63	\$ 4,090,684.00	\$ 2,472,671.69
1,306,566.60	368,770.00	906,822.98	30,973.62

### Protection of life and property:

Fire Department  
Police Department  
Department of Electricity

10,199,349.25	633,195.38	6,614,888.56	2,951,265.31
2,052,989.28	390,624.30	1,058,100.81	603,364.17
870,979.07	44,000.00	722,558.40	104,420.67

### Conservation of health:

San Francisco Health Farm  
Civic Center Health Building  
Excelsior Health Center

553,865.31	29,442.00	466,327.26	58,096.05
933,740.78	150,000.00	711,230.81	72,509.97
85,308.54	14,560.00	66,618.18	4,130.36

### Sanitation:

Sewers  
Street Cleaning Department  
Garbage Incinerators

18,724,854.28	71,865.46	18,567,894.31	85,094.51
266,066.05			266,066.05
130,142.60	65,000.00	65,142.60	

### Highways:

Streets, tunnels, bridges, etc  
Asphalt plant

59,857,720.94	6,067,251.11	53,790,433.33	36.50
289,298.52	15,070.11	105,492.82	168,735.59

## General City and County (Continued):

## Charities and corrections:

San Francisco Hospital.....	5,894,884.82	695,579.60	4,513,967.31	685,337.91
Other Health Department properties.....	711,188.89	164,583.06	280,815.72	265,790.11
Laguna Honda Home.....	3,735,878.98	30,000.00	3,225,326.67	480,552.31
County Jail.....	856,569.61	46,453.32	797,981.48	12,134.81
Juvenile Detention Home.....	207,183.72	10,310.00	174,079.41	22,794.31

## Education:

Schools.....	45,407,290.88	9,953,588.51	32,237,460.51	3,226,241.86
Libraries.....	3,431,525.28	392,710.00	1,276,308.87	1,762,806.41

## Recreation:

Parks and squares.....	25,121,880.51	19,658,664.69	5,124,935.21	338,280.61
Swimming pool and playgrounds.....	5,080,670.26	2,920,603.27	2,015,209.11	144,857.88
Golf links.....	389,561.68		389,561.68	
Kezar Stadium.....	782,753.05	95,645.30	687,107.75	
Museums and art galleries.....	686,535.98		489,884.09	196,651.89
War Memorial and Opera House.....	5,404,937.42	463,187.20	4,789,366.84	152,383.38
Auditorium.....	2,278,346.00	701,437.00	1,508,582.20	68,326.80

## Other:

Central warehouse and corporation yard.....	284,278.79	163,843.17	111,958.72	8,476.90
Miscellaneous.....	434,097.78	221,152.31	163,066.09	49,879.38
	<u>\$204,776,875.19</u>	<u>\$ 45,603,400.42</u>	<u>\$144,941,805.72</u>	<u>\$ 14,231,579.05</u>

## Work in progress

13,168,470.91

## Total General City and County properties.....

\$217,945,346.10

## Public Service Enterprises.....

191,091,643.25

## Total properties.....

\$409,036,989.35

# BONDED INDEBTEDNESS For the Year Ended June 30, 1939

## General City and County:

### Issue of June 30, 1904, 3½ per cent:

Golden Gate Park and Presidio Extension.....	\$ 57,400				
Library .....	287,700		\$ 8,200	\$ 49,200	
Mission Park .....	51,100		41,100	246,600	
Playgrounds .....	129,500		7,300	43,800	
			18,500	111,000	

### Issue of July 1, 1908, 5 per cent:

Fire protection .....	2,340,000		130,000	2,210,000	
School .....	204,000		204,000		
Sewer .....	1,700,000		100,000	1,600,000	

### Miscellaneous, 4½ per cent:

School .....	840,000	March 1, 1918	314,000	526,000	
Memorial Halls .....	2,800,000	July 1, 1927	200,000	2,600,000	
Bernal Cut .....	980,000	July 1, 1927	70,000	910,000	
Boulevard .....	6,567,000	November 1, 1927	470,000	6,097,000	
Sewer .....	1,700,000	January 1, 1929	100,000	1,600,000	
Hospital .....	2,625,000	January 1, 1929	175,000	2,450,000	
County Jail .....	700,000	January 1, 1931	50,000	650,000	
Playgrounds .....	176,000	February 1, 1931	8,000	168,000	
Boulevards and Roads .....	798,000	February 1, 1931	42,000	756,000	
Parks and Squares .....	1,232,000	February 1, 1931	56,000	1,176,000	

General City and County (Continued):

Miscellaneous, 5 per cent:

Exposition .....	May 1, 1912	243,000	.....	142,000	101,000
City Hall and Civic Center .....	July 1, 1912	4,602,000	.....	202,000	4,400,000
School .....	March 1, 1923	8,945,000	.....	545,000	8,400,000
Relief Home .....	March 1, 1923	995,000	.....	195,000	800,000

Relief Bonds, September 1, 1932:

4 to 5 per cent .....	.....	5,416,000	.....	542,000	4,874,000
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Public Works Projects:

Sewers, 4 per cent .....	December 1, 1933	2,077,000	.....	81,000	1,996,000
High Pressure System, 3 per cent .....	December 1, 1933	1,600,000	.....	100,000	1,500,000
Schools, 3 per cent .....	January 1, 1934	1,800,000	.....	300,000	1,500,000
Schools, 1 $\frac{3}{4}$ and 2 per cent .....	December 1, 1938	.....	\$1,943,000	.....	1,943,000
Hospital, 1 $\frac{3}{4}$ and 2 per cent .....	January 1, 1938	.....	1,256,000	.....	1,256,000
Total General City and County .....	\$ 48,865,700	\$3,199,000	\$4,101,100	\$ 47,963,600	

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Public Service Enterprises:

Detailed schedule annexed .....	\$112,279,500	\$ 955,000	\$3,954,300	\$109,280,200	
Total bonded indebtedness .....	\$161,145,200	\$4,154,000	\$8,055,400	\$157,243,800	

# BONDED INDEBTEDNESS—PUBLIC SERVICE ENTERPRISES

For the Year Ended June 30, 1939

	Outstanding June 30, 1938	Sold	Redeemed	Outstanding June 30, 1939
<b>Hetch Hetchy Water and Power Project:</b>				
July 1, 1910, 4½ per cent	\$ 27,023,000	.....	\$1,017,000	\$ 26,006,000
January 1, 1925, 5 per cent	7,750,000	.....	250,000	7,500,000
July 1, 1928, 4½ per cent	24,000,000	.....	598,000	23,402,000
June 1, 1932, 2¾ to 5¾ per cent	6,500,000	.....	200,000	6,300,000
December 1, 1933, 4 per cent	2,800,000	.....	175,000	2,625,000
	<u>\$ 68,073,000</u>	.....	<u>\$2,240,000</u>	<u>\$ 65,833,000</u>
<b>Water Department:</b>				
Spring Valley Water, July 1, 1928, 4½ per cent	\$ 33,002,000	.....	\$1,000,000	\$ 32,002,000
Water Distribution, December 1, 1933, 4 per cent	9,002,000	.....	563,000	8,439,000
	<u>\$ 42,004,000</u>	.....	<u>\$1,563,000</u>	<u>\$ 40,441,000</u>
<b>Municipal Railway:</b>				
December 1, 1913, 5 per cent	\$ 1,500,500	.....	\$ 99,300	\$ 1,401,200
<b>Airport:</b>				
December 1, 1933, 4 per cent	\$ 52,000	.....	\$ 52,000	.....
January 1, 1938, 1.7 to 2 per cent	650,000	\$ 955,000	.....	\$ 1,605,000
	<u>\$ 702,000</u>	<u>\$ 955,000</u>	<u>\$ 52,000</u>	<u>\$ 1,605,000</u>
<b>Total bonded indebtedness of Public Service Enterprises</b>	<b>\$112,279,500</b>	<b>\$ 955,000</b>	<b>\$3,954,300</b>	<b>\$109,280,200</b>

**SCHEDULE OF BOND REDEMPTION**  
Based on Bonds Outstanding June 30, 1939

Maturity			Public Service Enterprises				
	Grand Total	General City and County	Total	Hetch Hetchy	Water Department	Municipal Railway	Airport
Matured, unpaid.....	\$ 188,300	\$ 177,100	\$ 11,200	\$ 8,000	\$ 2,000	\$ 1,200	.....
1939-40 .....	7,672,100	3,623,100	4,049,000	2,225,000	1,563,000	100,000	\$ 161,000
1940-41 .....	7,672,100	3,623,100	4,049,000	2,225,000	1,563,000	100,000	161,000
1941-42 .....	7,672,100	3,623,100	4,049,000	2,225,000	1,563,000	100,000	161,000
1942-43 .....	7,497,100	3,448,100	4,049,000	2,225,000	1,563,000	100,000	161,000
1943-44 .....	7,497,100	3,448,100	4,049,000	2,225,000	1,563,000	100,000	161,000
1944-45 .....	7,120,000	3,072,000	4,048,000	2,225,000	1,563,000	100,000	160,000
1945-46 .....	7,120,000	3,072,000	4,048,000	2,225,000	1,563,000	100,000	160,000
1946-47 .....	7,120,000	3,072,000	4,048,000	2,225,000	1,563,000	100,000	160,000
1947-48 .....	7,015,000	2,967,000	4,048,000	2,225,000	1,563,000	100,000	160,000
1948-49 .....	6,123,000	2,075,000	4,048,000	2,225,000	1,563,000	100,000	160,000
1949-50 .....	5,963,000	2,075,000	3,888,000	2,225,000	1,563,000	100,000	.....
1950-51 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1951-52 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1952-53 .....	5,173,000	1,285,000	3,888,000	2,225,000	1,563,000	100,000	.....
1953-54 .....	4,892,000	1,110,000	3,782,000	2,225,000	1,557,000	.....	.....
1954-55 .....	4,060,000	1,010,000	3,050,000	2,050,000	1,000,000	.....	.....
1955-56 .....	3,860,000	810,000	3,050,000	2,050,000	1,000,000	.....	.....
1956-57 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1957-58 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1958-59 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1959-60 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1960-61 .....	3,630,000	580,000	3,050,000	2,050,000	1,000,000	.....	.....
1961-62 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1962-63 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1963-64 .....	3,415,000	365,000	3,050,000	2,050,000	1,000,000	.....	.....
1964-65 .....	3,350,000	300,000	3,050,000	2,050,000	1,000,000	.....	.....
1965-66 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1966-67 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1967-68 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1968-69 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1969-70 .....	1,800,000	.....	1,800,000	800,000	1,000,000	.....	.....
1970-71 .....	1,700,000	.....	1,700,000	700,000	1,000,000	.....	.....
1971-72 .....	600,000	.....	600,000	600,000	.....	.....	.....
1972-73 .....	600,000	.....	600,000	600,000	.....	.....	.....
1973-74 .....	600,000	.....	600,000	600,000	.....	.....	.....
1974-75 .....	600,000	.....	600,000	600,000	.....	.....	.....
1975-76 .....	600,000	.....	600,000	600,000	.....	.....	.....
1976-77 .....	600,000	.....	600,000	600,000	.....	.....	.....
1977-78 .....	600,000	.....	600,000	600,000	.....	.....	.....
	<u>\$157,243,800</u>	<u>\$47,963,600</u>	<u>\$109,280,200</u>	<u>\$65,833,000</u>	<u>\$40,441,000</u>	<u>\$1,401,200</u>	<u>\$1,605,000</u>







CITY AND COUNTY OF SAN FRANCISCO  
SUMMARY OF FUNDS BALANCE SHEET

June 30, 1939

ASSETS:	General City and County					
	Grand Total	Public Service Enterprises	Total	Current Funds	Capital Funds	Special and Trust Funds
Cash:						
On deposit with treasurer.....	\$23,998,014.66	\$ 8,912,697.58	\$15,085,317.08	\$ 7,806,946.81	\$ 5,851,078.17	\$ 1,427,292.10
Less, warrants outstanding and matured bonds and coupons.....	2,122,534.07	528,336.74	1,594,197.33	1,316,661.21	27,455.78	250,080.34
Available cash .....	\$21,875,480.59	\$ 8,384,360.84	\$13,491,119.75	\$ 6,490,285.60	\$ 5,823,622.39	\$ 1,177,211.76
Other cash.....	72,176.72	45,176.72	27,000.00	27,000.00		
Total cash .....	\$21,947,657.31	\$ 8,429,537.56	\$13,518,119.75	\$ 6,517,285.60	\$ 5,823,622.39	\$ 1,177,211.76
Investment securities.....	24,046,709.22		24,046,709.22			24,046,709.22
Accounts and taxes receivable.....	3,272,175.50	724,032.69	2,548,142.81	2,142,950.92		405,191.89
Federal grants (unearned portion).....	1,478,622.11		1,478,622.11		1,478,622.11	
Unsold bonds (par value).....	2,286,000.00	1,245,000.00	1,041,000.00		1,041,000.00	
Interfund accounts (contra).....	5,197,483.68	262,054.68	4,935,429.00	4,257,976.69	562,296.13	115,156.18
	<u>\$58,228,647.82</u>	<u>\$10,660,624.93</u>	<u>\$47,568,022.89</u>	<u>\$12,918,213.21</u>	<u>\$ 8,905,540.63</u>	<u>\$25,744,269.05</u>
LIABILITIES:						
Accounts payable:						
Bonds due July 1, 1939.....	\$ 3,300,000.00	\$ 2,600,000.00	\$ 700,000.00	\$ 700,000.00		
Bond interest due July 1, 1939.....	2,458,207.50	2,033,693.75	424,513.75	424,513.75		
	<u>\$ 5,758,207.50</u>	<u>\$ 4,633,693.75</u>	<u>\$ 1,124,513.75</u>	<u>\$ 1,124,513.75</u>		
Less, bonds and interest due July 1, 1939, included in 1939-40 budget.....	1,124,513.75		1,124,513.75	1,124,513.75		
Balance in 1938-39 budget.....	\$ 4,633,693.75	\$ 4,633,693.75				
Contracts, purchase orders, etc.....	5,091,405.37	1,166,377.76	\$ 3,925,027.61	\$ 844,743.98	\$ 3,061,993.23	\$ 18,290.40
Total accounts payable.....	\$ 9,725,099.12	\$ 5,800,071.51	\$ 3,925,027.61	\$ 844,743.98	\$ 3,061,993.23	\$ 18,290.40
Interfund accounts (contra).....	5,197,483.68	662,792.88	4,534,690.80	3,993,354.19	498,799.03	42,537.58
Special and trust funds.....	25,683,441.07		25,683,441.07			25,683,441.07
Taxes collected for year 1939-40.....	1,562,451.83		1,562,451.83	1,562,451.83		
	<u>\$42,168,475.70</u>	<u>\$ 6,462,864.39</u>	<u>\$35,705,611.31</u>	<u>\$ 6,400,550.00</u>	<u>\$ 3,560,792.26</u>	<u>\$25,744,269.05</u>
SURPLUS:						
Unappropriated balances.....	\$ 5,298,368.40	\$ 2,369,989.45	\$ 2,928,378.95	\$ 1,377,285.27	\$ 1,551,093.68	
Unencumbered appropriations.....	7,464,669.34	1,782,594.37	5,682,074.97	1,888,420.28	3,793,654.69	
Cash reserve (Section 81 of charter).....	3,224,957.66		3,224,957.66	3,224,957.66		
Cash reserve (other cash).....	72,176.72	45,176.72	27,000.00	27,000.00		
	<u>\$16,060,172.12</u>	<u>\$ 4,197,760.54</u>	<u>\$11,862,411.58</u>	<u>\$ 6,517,663.21</u>	<u>\$ 5,344,748.37</u>	
	<u>\$58,228,647.82</u>	<u>\$10,660,624.93</u>	<u>\$47,568,022.89</u>	<u>\$12,918,213.21</u>	<u>\$ 8,905,540.63</u>	<u>\$25,744,269.05</u>



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CURRENT FUNDS BALANCE SHEET

June 30, 1939

ASSETS					LIABILITIES AND SURPLUS							
Available Cash	Other Cash	Accounts Receivable	Interfund Accounts	Totals	NAME OF FUND	Totals	Accounts Payable	Interfund Accounts	Taxes for 1939-40	Unappropriated Balances	Unencumbered Appropriations	Cash Reserves
1,971,321.11	\$15,350.00	\$1,114,208.12	\$ 673,805.30	\$ 3,774,684.53	General Fund.....	\$ 3,774,684.53	\$483,684.50	\$2,197,934.07	.....	\$ 606,334.64	\$ 471,381.32	\$ 15,350.00
519,517.58	400.00	156,069.40	5,000.00	680,986.98	Unified School District.....	680,986.98	139,633.98	307,531.19	.....	207,160.57	26,261.24	400.00
105,243.35	2,250.00	28,100.21	11,537.15	147,130.71	Park .....	147,130.71	46,342.30	46,628.16	.....	8,205.77	43,704.48	2,250.00
29,027.63	500.00	11,771.42	.....	41,299.05	Library .....	41,299.05	14,463.02	25,336.03	.....	.....	1,000.00	500.00
73,326.42	5,500.00	16,994.84	.....	95,821.26	Recreation .....	95,821.26	25,796.12	38,722.31	.....	233.23	25,569.60	5,500.00
411,231.96	.....	477,715.76	29,772.84	918,720.56	County Roads.....	918,720.56	47,578.66	351,223.53	.....	300,458.23	219,460.14	.....
13,949.84	1,000.00	2,205.12	.....	17,154.96	California Palace Legion of Honor.....	17,154.96	3,060.37	5,441.96	.....	.....	7,652.63	1,000.00
6,453.49	1,000.00	2,301.75	.....	9,755.24	De Young Memorial Museum.....	9,755.24	3,380.04	2,758.38	.....	.....	2,616.82	1,000.00
40,344.29	.....	7,304.70	.....	47,648.99	Publicity and Advertising.....	47,648.99	19,360.14	1,108.67	.....	9,507.44	17,672.74	.....
50,037.98	.....	2,679.71	.....	52,717.69	Tax Judgments .....	52,717.69	2,797.70	.....	.....	4,471.32	45,448.67	.....
4,008.11	.....	.....	.....	4,008.11	Department of Electricity (Installation)....	4,008.11	714.83	.....	.....	2,376.42	916.86	.....
148.28	.....	67.89	.....	216.17	Special Election .....	216.17	20.94	93.64	.....	.....	101.59	.....
11,456.33	.....	2,374.06	.....	13,830.39	War Memorial .....	13,830.39	646.27	12,455.39	.....	725.00	3.73	.....
19,724.89	.....	.....	22,000.00	41,724.89	Emergency Reserve .....	41,724.89	.....	22,000.00	.....	.....	19,724.89	.....
77,153.93	.....	.....	3,147,803.73	3,224,957.66	Cash Reserve .....	3,224,957.66	.....	.....	.....	.....	.....	3,224,957.66
7,015.11	.....	343.32	.....	7,358.43	Tax Anticipation Notes (Interest).....	7,358.43	69.01	.....	.....	1,823.10	5,466.32	.....
103,007.30	.....	.....	.....	103,007.30	State Unemployment Relief Loan.....	103,007.30	.....	.....	.....	.....	103,007.30	.....
22,888.37	.....	.....	.....	22,888.37	State Unemployment Relief Loan (Interest)	22,888.37	.....	6,924.37	.....	.....	15,964.00	.....
1,175,563.39	.....	210,319.00	.....	1,385,882.39	Bond Interest and Redemption.....	1,385,882.39	.....	904,081.97	.....	481,800.42	.....	.....
167,930.42	.....	.....	.....	167,930.42	Auditorium .....	167,930.42	.....	.....	.....	167,930.42	.....	.....
171,832.40	.....	519.37	.....	171,313.03	Firemen's Relief and Pension.....	171,313.03	.....	.....	.....	171,313.03	.....	.....
103,235.58	.....	.....	.....	103,235.58	Police Relief and Pension.....	103,235.58	.....	.....	.....	103,235.58	.....	.....
2,758.29	1,000.00	.....	68,057.67	71,815.96	Public Utilities Commission.....	71,815.96	3,696.73	31,840.88	.....	5,839.87	29,438.48	1,000.00
40.27	.....	.....	.....	40.27	P. W. A. Gas Tax Street Improvement.....	40.27	.....	.....	.....	40.27	.....	.....
891,034.19	.....	174,468.08	.....	1,065,502.27	Gas Tax Street Improvement.....	1,065,502.27	53,499.37	29,741.50	.....	140,962.11	841,299.29	.....
11,371.04	.....	.....	.....	11,371.04	Embarcadero Widening.....	11,371.04	.....	.....	.....	.....	11,371.04	.....
359.14	.....	.....	.....	359.14	Fire Department Building.....	359.14	.....	.....	.....	.....	359.14	.....
1,262,451.83	.....	.....	300,000.00	1,562,451.83	Assessor, Personal Property Taxes.....	1,562,451.83	.....	.....	\$1,562,451.83	.....	.....	.....
114,449.41	.....	114,449.41	.....	.....	Delinquent Tax Installments.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	49,825.91	.....	49,825.91	Employees' Retirement System.....	49,825.91	.....	.....	.....	49,825.91	.....	.....
.....	.....	131.67	.....	131.67	Golden Gate Bridge and Highway District..	131.67	.....	131.67	.....	.....	.....	.....
9,400.47	.....	.....	.....	9,400.47	Unapportioned Bank Interest.....	9,400.47	.....	9,400.47	.....	.....	.....	.....
<u>\$6,490,285.60</u>	<u>\$27,000.00</u>	<u>\$2,142,950.92</u>	<u>\$4,257,976.69</u>	<u>\$12,918,213.21</u>		<u>\$12,918,213.21</u>	<u>\$844,743.98</u>	<u>\$3,993,354.19</u>	<u>\$1,562,451.83</u>	<u>\$1,377,285.27</u>	<u>\$1,888,420.28</u>	<u>\$3,251,957.66</u>



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CAPITAL FUNDS BALANCE SHEET

June 30, 1939

ASSETS					LIABILITIES AND SURPLUS					
Available Cash	Interfund Accounts	Federal Grants	Unsold Bonds	Totals	NAME OF FUND	Totals	Accounts Payable	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations
\$ 18,193.34	-----	-----	-----	\$ 18,193.34	1927 Bernal Cut.....	\$ 18,193.34	-----	\$ 150.00	\$ 78.35	\$ 17,964.99
327,012.70	-----	-----	-----	327,012.70	1927 Boulevards .....	327,012.70	\$ 19,494.29	3,825.00	34,037.06	269,656.35
20,600.50	-----	-----	-----	20,600.50	1929 Hospitals .....	20,600.50	-----	-----	7,959.66	12,640.84
14,461.89	-----	-----	-----	14,461.89	1929 Sewers .....	14,461.89	-----	-----	-----	14,461.89
26,196.27	-----	-----	-----	26,196.27	1931 Parks and Squares.....	26,196.27	-----	24,036.69	99.00	2,060.58
249.28	-----	-----	-----	249.28	1931 Boulevards and Roads.....	249.28	12.50	-----	-----	236.78
61.82	-----	-----	-----	61.82	1931 County Jail .....	61.82	-----	-----	-----	61.82
32,669.94	-----	-----	-----	32,669.94	1933 Sewers .....	32,669.94	515.39	1,611.00	8,455.74	22,087.81
14,567.59	-----	-----	-----	14,567.59	1933 High Pressure System.....	14,567.59	-----	-----	-----	14,567.59
99.80	-----	-----	-----	99.80	1934 Schoolhouse .....	99.80	-----	-----	-----	99.80
1,339,870.63	-----	\$ 456,693.50	\$ 184,000.00	1,980,564.13	1938 Hospital .....	1,980,564.13	926,696.96	38,307.01	184,204.68	831,355.48
624.77	\$402,502.78	-----	857,000.00	1,260,127.55	1938 School .....	1,260,127.55	-----	-----	1,260,127.55	-----
3,972,743.72	159,793.35	1,021,928.61	-----	5,154,465.68	P. W. A. Schools.....	5,154,465.68	2,115,135.59	430,869.33	-----	2,608,460.76
56,270.14	-----	-----	-----	56,270.14	Land Purchases.....	56,270.14	138.50	-----	56,131.64	-----
<u>\$5,823,622.39</u>	<u>\$562,296.13</u>	<u>\$1,478,622.11</u>	<u>\$1,041,000.00</u>	<u>\$8,905,540.63</u>		<u>\$8,905,540.63</u>	<u>\$3,061,993.23</u>	<u>\$498,799.03</u>	<u>\$1,551,093.68</u>	<u>\$3,793,654.69</u>





CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
SPECIAL AND TRUST FUNDS BALANCE SHEET

June 30, 1939

ASSETS					NAME OF FUND		LIABILITIES			
Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Totals			Totals	Accounts Payable	Interfund Accounts	Unapplied Balances
\$ 25,384.00	-----	-----	-----	\$ 25,384.00	Private Trusts:					
2,801.79	-----	-----	-----	2,801.79	Special Permits.....	\$ 25,384.00	-----	-----	-----	\$ 25,384.00
3,053.48	-----	-----	-----	3,053.48	Tearing up Streets.....	2,801.79	-----	-----	-----	2,801.79
518.50	-----	-----	-----	518.50	Street Improvements.....	3,053.48	-----	-----	-----	3,053.48
572.40	-----	-----	-----	572.40	Excavation.....	518.50	-----	-----	-----	518.50
430.00	-----	-----	-----	430.00	House Moving.....	572.40	-----	-----	-----	572.40
93,470.93	-----	-----	-----	93,470.93	Special Badges.....	430.00	-----	-----	-----	430.00
50,466.15	-----	-----	-----	50,466.15	County Clerk Special.....	93,470.93	-----	-----	-----	93,470.93
6,367.07	-----	-----	-----	6,367.07	County Clerk Bail.....	50,466.15	-----	-----	-----	50,466.15
22,035.64	-----	-----	-----	22,035.64	Municipal Court Special.....	6,367.07	-----	-----	-----	6,367.07
4,132.50	-----	-----	-----	4,132.50	Municipal Court Bail.....	22,035.64	-----	-----	-----	22,035.64
4,259.76	-----	-----	-----	4,259.76	Realty Deposits.....	4,132.50	-----	-----	-----	4,132.50
5,855.95	-----	-----	-----	5,855.95	Absent Heirs.....	4,259.76	-----	-----	-----	4,259.76
19,197.96	-----	-----	-----	19,197.96	Absent Creditors.....	5,855.95	-----	-----	-----	5,855.95
18,842.85	-----	-----	-----	18,842.85	Duplicate Taxes.....	19,197.96	-----	-----	-----	19,197.96
14,334.62	-----	-----	-----	14,334.62	Twin Peaks Tunnel Refuuds.....	18,842.85	-----	-----	-----	18,842.85
1,119.74	-----	-----	\$ 324.86	1,119.74	Sunset Tunnel Refunds.....	14,659.48	-----	-----	-----	14,659.48
4,367.42	-----	-----	-----	4,367.42	Bank Receiver's Deposits.....	1,119.74	-----	-----	-----	1,119.74
9,248.93	-----	-----	-----	9,248.93	Coroner's Unclaimed Money.....	4,367.42	-----	-----	-----	4,367.42
19,012.03	-----	-----	-----	19,012.03	Adult Probation Officer.....	9,248.93	-----	-----	-----	9,248.93
165.00	-----	-----	-----	165.00	School Teachers' Sabbatical Leave.....	19,012.03	-----	-----	-----	19,012.03
6,487.31	-----	-----	-----	6,487.31	Library Card Deposits.....	165.00	-----	-----	-----	165.00
1,804.81	-----	-----	-----	1,804.81	Jail Stores Deposits.....	6,487.31	-----	-----	-----	6,487.31
373.57	-----	-----	-----	373.57	Juvenile Court Deposits.....	1,804.81	-----	-----	-----	1,804.81
1,232.27	-----	-----	-----	1,232.27	California Palace Legion of Honor.....	373.57	-----	-----	-----	373.57
640.00	-----	-----	-----	640.00	De Young Memorial Museum.....	1,232.27	-----	-----	-----	1,232.27
18,900.00	-----	-----	-----	18,900.00	Police Department Deposits.....	640.00	-----	-----	-----	640.00
160.00	-----	-----	-----	160.00	Electrical Deposits.....	18,900.00	\$ 100.00	-----	-----	18,800.00
66,631.73	-----	-----	-----	66,631.73	Golden Gate Bridge Celebration.....	160.00	-----	-----	-----	160.00
80.30	-----	-----	-----	80.30	Health Service.....	66,631.73	-----	\$ 85.00	-----	66,546.73
\$401,946.71	-----	-----	-----	\$401,946.71	Automobile Badges.....	80.30	-----	-----	-----	80.30
			\$ 324.86	\$402,271.57	Assessment and Redemption Funds:	\$402,271.57	\$ 100.00	\$ 85.00	-----	\$402,086.57
\$ 2,701.43	-----	-----	-----	\$ 2,701.43	Consolidated Street Assessment No. 1.....	\$ 2,701.43	-----	-----	-----	\$ 2,701.43
141.69	-----	-----	-----	141.69	Consolidated Street Assessment No. 2.....	141.69	-----	-----	-----	141.69
9,419.04	-----	-----	-----	9,419.04	Consolidated Street Redemption No. 1.....	9,419.04	-----	-----	-----	9,419.04
5,551.75	-----	-----	-----	5,551.75	Stockton Street Tunnel Assessment.....	5,551.75	-----	-----	-----	5,551.75
\$ 707.91	-----	-----	-----	707.91	Sunset Tunnel Assessment.....	707.91	-----	\$ 324.86	-----	383.05
8.74	-----	-----	-----	8.74	Twin Peaks Tunnel Assessment.....	8.74	-----	-----	-----	8.74
\$ 17,813.91	\$ 716.65	-----	-----	\$ 18,530.56		\$ 18,530.56	-----	\$ 324.86	-----	\$ 18,205.70

(Continued)





CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
SPECIAL AND TRUST FUNDS BALANCE SHEET  
June 30, 1939, (Continued)

ASSETS					NAME OF FUND	LIABILITIES			
Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Totals		Totals	Accounts Payable	Interfund Accounts	Unapplied Balances
\$ 221,357.77	\$ 377,302.47	\$23,860,986.25	\$114,699.65	\$24,574,346.14	Public Trusts:				
					Employees' Retirement System.....	\$24,574,346.14	\$ 712.04	\$ 5,648.10	\$24,567,986.00
					Bequests:				
10,884.16	\$40.00	42,000.00	.....	53,724.16	Robinson .....	53,724.16	.....	.....	53,724.16
292.50	22.50	978.75	.....	1,293.75	Olsen .....	1,293.75	.....	.....	1,293.75
6,139.85	450.00	15,946.95	.....	22,536.80	Wendel .....	22,536.80	.....	.....	22,536.80
1,819.64	120.00	7,072.86	.....	9,012.50	Marx .....	9,012.50	.....	.....	9,012.50
1,921.29	112.50	5,379.01	.....	7,412.80	Herzstein .....	7,412.80	.....	.....	7,412.80
8,284.13	446.66	22,966.15	.....	31,696.94	Sharp .....	31,696.94	.....	.....	31,696.94
5,650.98	.....	.....	.....	5,650.98	Phelan .....	5,650.98	.....	.....	5,650.98
104,478.17	169.99	75,627.50	.....	180,275.66	Strybing .....	180,275.66	3,638.83	.....	176,636.83
1,065.84	.....	94.25	.....	1,160.09	Brunetti .....	1,160.09	.....	.....	1,160.09
245.02	.....	.....	.....	245.02	War Memorial .....	245.02	.....	.....	245.02
2,620.00	.....	.....	.....	2,620.00	Infantile Paralysis .....	2,620.00	.....	.....	2,620.00
160,694.90	7,000.00	.....	.....	167,694.90	State Highway .....	167,694.90	12,988.62	18,683.29	136,022.99
275.47	.....	.....	.....	275.47	P. W. A. Exposition Shoals .....	275.47	.....	.....	275.47
278.36	159.77	15,657.50	.....	16,095.63	Panama Pacific Exposition Scholarship .....	16,095.63	.....	.....	16,095.63
35.46	.....	.....	.....	35.46	Sunshine School Equipment .....	35.46	.....	.....	35.46
<u>\$ 526,043.54</u>	<u>\$ 386,623.89</u>	<u>\$24,046,709.22</u>	<u>\$114,699.65</u>	<u>\$25,074,076.30</u>		<u>\$25,074,076.30</u>	<u>\$ 17,339.49</u>	<u>\$ 24,331.39</u>	<u>\$25,032,405.42</u>
					Other Special and Trust Funds:				
\$ 1,758.46	\$ 103.71	.....	.....	\$ 1,862.17	State of California (sales and use tax) .....	\$ 1,862.17	\$ 652.17	.....	\$ 1,210.00
101,938.09	.....	.....	.....	101,938.09	Inheritance Taxes .....	101,938.09	.....	.....	101,938.09
6,468.00	.....	.....	.....	6,468.00	School Teachers' Permanent Fund .....	6,468.00	.....	.....	6,468.00
2,322.00	.....	.....	.....	2,322.00	Law Library .....	2,322.00	.....	.....	2,322.00
9.03	.....	.....	\$ 131.67	140.75	Golden Gate Bridge and Highway District .....	140.75	.....	.....	140.75
197.43	1.31	.....	.....	198.74	Consumers' Use Taxes .....	198.74	198.74	.....	.....
50.00	17,746.33	.....	.....	17,796.33	San Francisco Housing Authority .....	17,796.33	.....	\$ 17,796.33	.....
16.09	.....	.....	.....	16.09	Teachers' Annuity Deposits .....	16.09	.....	.....	16.09
					Islais Creek Reclamation District:				
1,787.81	.....	.....	.....	1,787.81	Assessment .....	1,787.81	.....	.....	1,787.81
81,375.44	.....	.....	.....	81,375.44	General .....	81,375.44	.....	.....	81,375.44
33,485.20	.....	.....	.....	33,485.20	Interest .....	33,485.20	.....	.....	33,485.20
2,000.00	.....	.....	.....	2,000.00	Redemption .....	2,000.00	.....	.....	2,000.00
<u>\$ 231,407.60</u>	<u>\$ 17,851.35</u>	.....	<u>\$ 131.67</u>	<u>\$ 249,390.62</u>		<u>\$ 249,390.62</u>	<u>\$ 850.91</u>	<u>\$ 17,796.33</u>	<u>\$ 230,743.38</u>
<u>\$1,177,211.76</u>	<u>\$ 405,191.89</u>	<u>\$24,046,709.22</u>	<u>\$115,156.18</u>	<u>\$25,744,269.05</u>	Total Special and Trust Funds .....	<u>\$25,744,269.05</u>	<u>\$ 18,290.40</u>	<u>\$ 42,537.58</u>	<u>\$25,683,441.07</u>



CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES  
FUNDS BALANCE SHEET  
June 30, 1939

## ASSETS

Available Cash	Other Cash	Accounts Receivable	Unsold Bonds	Interfund Accounts	Totals
874,388.35	\$ 6,500.00	\$ 1,709.00	.....	\$ 7,863.12	\$ 890,460.47
365,515.76	.....	.....	.....	.....	365,515.76
317.50	.....	.....	.....	.....	317.50
239,130.75	30,000.00	514,383.59	.....	134,588.79	918,103.13
142,261.39	.....	.....	.....	.....	142,261.39
320,414.02	.....	.....	.....	.....	320,414.02
37,883.61	3,476.72	199,398.43	.....	35.00	240,293.76
207,372.26	.....	.....	.....	75,000.00	282,372.26
21,892.14	.....	16.65	.....	44,567.77	66,476.56
16,131.31	200.00	8,525.02	.....	.....	24,856.33
4,727,491.53	.....	.....	.....	.....	4,727,491.53
<u>16,952,298.62</u>	<u>\$ 40,176.72</u>	<u>\$724,032.69</u>	.....	<u>\$262,054.68</u>	<u>\$ 7,978,562.71</u>
100,385.95	.....	.....	.....	.....	\$ 100,385.95
43,902.11	.....	.....	.....	.....	43,902.11
149,652.38	\$ 5,000.00	.....	.....	.....	154,652.38
262,733.43	.....	.....	.....	.....	262,733.43
1,092.50	.....	.....	.....	.....	1,092.50
782,589.07	.....	.....	\$1,245,000.00	.....	2,027,589.07
<u>11,340,355.44</u>	<u>\$ 5,000.00</u>	.....	<u>\$1,245,000.00</u>	.....	<u>\$ 2,590,355.44</u>
91,706.78	.....	.....	.....	.....	\$ 91,706.78
<u>8,384,860.84</u>	<u>\$ 45,176.72</u>	<u>\$724,032.69</u>	<u>\$1,245,000.00</u>	<u>\$262,054.68</u>	<u>\$10,660,624.93</u>

## NAME OF FUND

## LIABILITIES AND SURPLUS

Current funds:	Totals	Accounts Payable	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations	Cash Reserves
Municipal Railway:						
Operating .....	\$ 890,460.47	\$ 183,778.77	\$ 87,332.56	\$ 321,992.93	\$ 290,856.21	\$ 6,500.00
Reconstruction and Replacement .....	365,515.76	120,678.65	14,120.55	.....	230,716.56	.....
Accident Reserve .....	317.50	.....	.....	317.50	.....	.....
Water Department:						
Revenue .....	918,103.13	46,730.89	317,729.84	346,119.15	177,523.25	30,000.00
Extension Reserve .....	142,261.39	9,937.97	76,551.49	1,341.58	54,430.35	.....
Reconstruction and Replacement .....	320,414.02	208,543.00	16,911.58	856.86	94,102.58	.....
Hetch Hetchy:						
Power Operative .....	240,293.76	10,973.89	94,711.07	112,500.54	18,631.54	3,476.72
Reconstruction and Replacement .....	282,372.26	12,670.65	21,488.63	145,959.35	102,253.63	.....
Water Supply .....	66,476.56	4,694.72	11,349.45	32,888.14	17,544.25	.....
Airport .....	24,856.33	2,014.27	2,397.79	13,109.64	7,134.63	200.00
Bond Interest and Redemption .....	4,727,491.53	4,633,693.75	.....	93,797.78	.....	.....
	<u>\$ 7,978,562.71</u>	<u>\$5,233,716.56</u>	<u>\$642,592.96</u>	<u>\$1,068,883.47</u>	<u>\$ 993,193.00</u>	<u>\$ 40,176.72</u>
Capital funds:						
Water Department:						
1933 Water Distribution .....	\$ 100,385.95	.....	.....	\$ 103.67	\$ 100,282.28	.....
Land Purchase .....	43,902.11	.....	.....	43,902.11	.....	.....
Hetch Hetchy:						
1932 Hetch Hetchy .....	154,652.38	.....	\$ 5,321.57	7,847.15	136,483.66	\$ 5,000.00
1933 Hetch Hetchy Dam .....	262,733.43	.....	600.00	.....	262,133.43	.....
Land Purchase .....	1,092.50	.....	.....	1,092.50	.....	.....
Airport, 1938 Bonds .....	2,027,589.07	\$ 476,676.52	12,250.00	1,248,160.55	290,502.00	.....
	<u>\$ 2,590,355.44</u>	<u>\$ 476,676.52</u>	<u>\$ 18,171.57</u>	<u>\$1,301,105.98</u>	<u>\$ 789,401.37</u>	<u>\$ 5,000.00</u>
Special and Trust funds:						
Water Department Deposits .....	\$ 91,706.78	\$ 89,678.43	\$ 2,028.35	.....	.....	.....
	<u>\$10,660,624.93</u>	<u>\$5,800,071.51</u>	<u>\$662,792.88</u>	<u>\$2,369,989.45</u>	<u>\$1,782,594.37</u>	<u>\$ 45,176.72</u>



*Report on Examination of Accounts*

SAN FRANCISCO WATER DEPARTMENT

FOR THE FISCAL YEAR ENDED JUNE 30, 1939

(Wherever italics appear in this Report, they indicate red figures.)



# WILLIAM DOLGE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

SAN FRANCISCO, CALIFORNIA

October 2, 1939.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:—

In accord with your request, issued under the powers delegated to you by Ordinance No. 9.0621 passed by the Board of Supervisors on October 9, 1933, we have made an examination of the accounts of the

## SAN FRANCISCO WATER DEPARTMENT

for the year ended June 30, 1939.

Complying with the terms of the engagement, our examination was limited to the verification of assets and liabilities as of June 30, 1939 and an analytical review and test check of the revenues and expenses of the fiscal year ended as of that date. In this connection we made a general review of the accounting methods, and examined or tested the accounting records and other supporting evidence in a manner and to an extent which we considered appropriate in view of the system of internal accounting control. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the fiscal year, except for those additions arising through expenditures made from the Public Utilities Improvement Fund, the accounts of which were maintained in the Controller's Office, and also except for those additions arising from expenditures made by and for the account of the San Francisco Bay Exposition. These expenditures are discussed hereinafter.

The accounts were found in good order.

Upon the conclusion of this attention there are presented:

*Exhibit A. Balance Sheet, June 30, 1939*

*Exhibit B. Surplus Account*

For the fiscal year ended June 30, 1939

*Exhibit C. Surplus Account—Condensed*

From March 3, 1930 to June 30, 1939

*Exhibit D. Comparative Statement of Income and Expense*

For the fiscal years ended June 30, 1939 and 1938

*Schedules 1 to 6 Inc. Comparative Schedules in Support of Operating Expenses*

For the fiscal years ended June 30, 1939 and 1938

A condensed summary of operations for the fiscal year ended June 30, 1939, comparative with those of the preceding fiscal year, follows:



	Fiscal Years Ended June 30,	
	1939	1938
Sales of Water .....	\$7,023,540.19	\$6,863,210.74
Operating Expenses.....	3,017,926.81	2,817,647.14
Profit from Operations.....	<u>\$4,005,613.38</u>	<u>\$4,045,563.60</u>
Other Income:		
Rentals, including crop shares.....	\$ 50,865.36	\$ 52,733.37
Sale of walnuts.....	33,909.74	24,534.52
Interest earned.....	15,000.06	10,057.55
City of Palo Alto—surcharge.....	10,303.76	
Miscellaneous .....	11,609.53	3,628.77
	<u>\$ 121,688.45</u>	<u>\$ 90,954.21</u>
Other Expenses:		
Bond Interest—1928 issue.....	\$1,440,000.00	\$1,485,000.00
Bond Interest—1933 issue.....	346,943.34	193,143.91
Agricultural Division.....	11,188.32	16,037.25
Walnut orchard expense.....	19,439.57	14,603.52
Miscellaneous .....	15,403.01	1,177.68
	<u>\$1,832,974.24</u>	<u>\$1,709,962.36</u>
<i>Net Income—Exhibit D</i> .....	<u>\$ 2,294,327.59</u>	<u>\$2,426,555.45</u>

*Consumers and Metered Delivery:*

Comparisons of the number of consumers' accounts and water usage as reported by the Water Sales Division follow:

	As at June 30,			
	1939	1938	1937	1936
Consumers—San Francisco District:				
Residential .. .. .	89,542	88,065	86,293	84,191
Commercial .. .. .	26,805	26,506	26,228	25,911
Dock and Shipping .. .. .	280	238	238	238
	<u>116,627</u>	<u>114,809</u>	<u>112,759</u>	<u>110,340</u>
Consumers—Suburban District.....	562	586	574	541
	<u>117,189</u>	<u>115,395</u>	<u>113,333</u>	<u>110,881</u>

	Fiscal Years Ended June 30,			
	1939	1938	1937	1936
Metered Delivery—Million Cubic Feet:				
San Francisco District .....	2,271.9	2,178.2	2,149.6	2,009.1
Suburban district including free deliveries, riparian contracts .....	370.0	270.6	236.7	203.2
	<u>2,641.9</u>	<u>2,448.8</u>	<u>2,386.3</u>	<u>2,212.3</u>

*Taxes:*

Section 64 of the Charter requires that the accounts of the municipally owned utilities include estimates of the amount of taxes that would be chargeable against such property and the revenues thereof if privately owned and operated.

In lieu of San Francisco property taxes, which have not been assessed, the operating expenses have been charged with amounts equal to the revenues recorded for water supplied to non-paying municipal departments as follows:

Fiscal Year ended June 30, 1939.....	\$476,351.90
Fiscal Year ended June 30, 1938.....	438,822.90

Taxes paid to other cities and counties by the San Francisco Water Department amounted to:

Fiscal Year ended June 30, 1939.....	\$257,488.21
Fiscal Year ended June 30, 1938.....	240,130.61
<i>Increase</i> .....	<u>\$ 17,357.60</u>

Comparison charges for Federal taxes and State franchise tax are not recorded in the expense accounts of the Water Department. These taxes are estimated at \$495,438.03 for the fiscal year ended June 30, 1939 and at \$471,942.65 for the fiscal year ended June 30, 1938. Federal taxes applicable to a privately owned and operated utility include capital stock taxes, based upon a declared value affecting the computation of excess profits taxes, and include undistributed profits tax. For purposes of the foregoing estimates Federal capital stock taxes have been added in an amount sufficient to eliminate the excess profits tax computation, and the undistributed profits tax has been deemed to apply to net earnings in excess of the contributions to the General Fund and Hetch Hetchy Water Supply.

In addition the San Francisco Water Department, if privately owned, would have to pay property taxes to the City and County of San Francisco at the rate of \$4.04 per \$100.00 of assessed valuation for the fiscal year 1938-1939. These taxes would be offset, in part, by water revenues from the present non-paying municipal departments.

*Bond Interest:*

The reduction of \$45,000.00 in bond interest of the 1928 issue resulted from a maturing of \$1,000,000.00 par value bonds on July 1, 1938.

Interest on the 1933 water distribution 4% bonds (\$8,439,000.00 outstanding at June 30, 1939) for the fiscal year 1938-1939 amounted to \$346,943.34. In the fiscal year 1937-1938 interest on these bonds amounted to \$366,583.33, of which \$173,439.42 was capitalized as interest during construction and \$193,143.91 was charged to interest expense. The reduction in interest of \$19,639.99 (\$366,583.33 to \$346,943.34) resulted from the redemption of serial bonds.

*Income and Expense Exhibit:*

The items of income and expense are set forth in detail in Exhibit D and supporting schedules, and are, in our opinion, substantially inclusive. Included in General and Administrative Expenses under Repairs—Extraor-

dinary are repairs to Calaveras Spillway \$51,973.71 and to Newark Slough—Submarine Line \$23,283.58.

The income and expenses were compared with those of the preceding fiscal year. We investigated and obtained satisfactory explanations for all substantial fluctuations.

The income and expense statement, Exhibit D, does not reflect a charge for Hetch Hetchy water as no direct charge is made by the Hetch Hetchy Project for water supplied to the San Francisco Water Department. Contributions by the Water Department to Hetch Hetchy Water Supply in amount of \$582,062.84 are reflected as a direct charge to Surplus as set forth in Exhibit B.

#### *Balance Sheet Comments*

*Fixed Capital* \$50,437,230.18 consists of properties in service \$70,639,146.66, less provision for depreciation \$20,291,062.61, net \$50,348,084.05, plus construction in progress to June 30, 1939, \$89,146.13. The valuation of the properties in service, less provision for depreciation \$50,348,084.05, is based upon an appraisal by the engineers of the San Francisco Water Department as of December 31, 1937 plus subsequent additions and accrued depreciation. The changes in the Fixed Capital in Service during the fiscal year ended June 30, 1939 are summarized as follows:

	Fixed Capital in Service	Provision for Depreciation
Balance June 30, 1938 per Audit Report.....	\$69,916,249.91	\$19,475,709.07
Additions 1938-1939.....	752,050.82	819,808.24
	<hr/> \$70,668,300.73	<hr/> \$20,295,517.31
Less—Retirements, etc.....	29,154.07	4,454.70
<i>Balance June 30, 1939.....</i>	<hr/> <i>\$70,639,146.66</i>	<hr/> <i>\$20,291,062.61</i>

We examined the supporting documents covering the principal additions to the fixed capital accounts for the year ended June 30, 1939. The recorded retirements were in agreement with data submitted by the Engineering Division of the Water Department.

During the fiscal year 1938-1939 the Palo Alto pipe line was deemed completed and the cost thereof, \$367,380.40, was transferred to Fixed Capital in Service. Also there was included in transfers to Fixed Capital in Service during the fiscal year 1938-1939 additional projects completed, since June 30, 1938, by the Public Utilities Improvement Fund (P. W. A. Docket 1132) in amount of \$52,950.38 (the records of which are maintained in the Controller's Office) and the reported cost of 12-inch mains taken over from the San Francisco Airport \$22,390.00.

Included in Fixed Capital in Service June 30, 1938 was the cost of the water system on Yerba Buena Island and Treasure Island to December 31, 1937 in amount \$367,515.17, consisting of costs reported by San Francisco Bay Exposition \$361,324.92 plus engineering costs \$6,190.25. We are informed by the office of the San Francisco Bay Exposition that additional costs to June 30, 1939 amounted to \$98,784.19. Because no verified statements of these costs

have been submitted to Mr. N. A. Eckart, General Manager and Chief Engineer—San Francisco Water Department, by the San Francisco Bay Exposition, this amount is not reflected on the books by the Water Department.

*Cash on Deposit with Treasurer* \$2,852,658.36 is composed of the following funds:

Revenue Fund.....	\$ 296,392.74
Special Deposit Trust Fund.....	107,256.52
Extension Reserve Fund.....	142,261.39
Reconstruction and Replacement Fund.....	320,414.02
Land Purchase Fund.....	43,902.11
Bond Fund—1933 .....	100,509.18
Bond Redemption Fund—1928.....	1,002,000.00
Bond Interest Fund—1928.....	741,937.50
Bond Interest Fund—1933.....	97,984.90
	<u>\$2,852,658.36</u>

These balances were confirmed directly to us by the Treasurer and were verified as of June 30, 1939 by the auditing staff of the Controller's Office. We inspected the report on such verification and ascertained that the balances in the respective funds were as recorded on the books and confirmed by the Treasurer.

*Revolving Fund* \$30,000.00 was composed of:

Bank Balances—verified by certification obtained from the depositaries and reconciliation to the books.....	\$20,264.42
Water Sales Change and Petty Cash Funds—verified by count, by certification obtained from the custodians, or otherwise.....	3,150.00
Disbursements pending reimbursement.....	6,110.58
Disbursement for which the Controller has refused reimbursement	475.00
	<u>\$30,000.00</u>

On May 14, 1937 a revolving fund check was issued to J. Giosso & Sons in payment of a claim, in amount of \$475.00, for property damages. The Controller has refused reimbursement, under Section 85 of the Charter, because, in his opinion, the claim was not filed in accordance with Section 87.

*Accounts Receivable* \$729,802.96 consists of:

Consumers' Accounts .....	\$576,739.72
Deemed Collectible .....	\$517,015.73
Deemed Uncollectible.....	59,723.99
Rent Receivable, etc.....	18,643.87
Deemed Collectible.....	10,196.62
Deemed Uncollectible.....	8,447.25
	<u>\$595,383.59</u>
Less—Allowance for Losses.....	81,000.00
	<u>\$514,383.59</u>
City of Palo Alto.....	215,419.37
	<u>\$729,802.96</u>

The consumers' accounts, amounts due for rents, etc., were reviewed as to collectibility and the amounts deemed uncollectible are shown hereinabove. In our opinion the allowance for losses \$81,000.00 is adequate.

City of Palo Alto \$215,419.37 represents the balance at June 30, 1939 of the pro-rata cost, plus interest, of the Palo Alto pipe line as follows:

60% of cost of Palo Alto pipe line chargeable to City of Palo Alto under agreement dated December 31, 1937.....	\$217,207.04
Interest at 4½% per annum on balance.....	8,516.09
	<u>\$225,723.13</u>
Less—realized to June 30, 1939—by surcharge of 2¢ per 100 cubic feet based on the monthly delivery of water.....	10,303.76
<i>Balance—June 30, 1939.</i> .....	<u><u>\$215,419.37</u></u>

*Materials and Supplies* \$290,021.73 consists of:

*Materials and Supplies*

City Distribution Division.....	\$230,872.48
Peninsula Division .....	35,798.59
Alameda Division. ....	4,984.25
Newark—San Lorenzo Pipe Line.....	11,822.17
Corral Hollow Pipe Line.....	3,973.06
Stationery and Printing. ....	1,251.75
Miscellaneous Materials. ....	1,319.43
	<u>\$290,021.73</u>

Physical Inventories of materials and supplies were taken at the City Distribution Division on May 26, 1939, at the Peninsula Division on May 23, 1939 and at the Alameda Division on May 24, 1939. The inventories at those dates were in substantial agreement with the book records. Tests were made of purchases, issues, accounting control and procedure from the date of taking the physical inventories to June 30, 1939 in verification of the book inventories at that date. The inventories were also discussed with the engineers as to the reasonableness thereof.

During the fiscal year 1938-1939 Peninsula Division material deemed obsolete at June 30, 1938 and estimated to have a scrap value of \$1,985.78 was sold for \$2,965.95. In addition two pumps deemed obsolete at June 30, 1938 were returned to stock at a recorded value of \$1,630.00.

The materials and supplies designated as Newark—San Lorenzo Pipe Line \$11,822.17 and Corral Hollow Pipe Line \$3,973.06 were based on engineering data submitted.

Stationery and Printing \$1,251.75 represents billing paper unused and Miscellaneous Materials \$1,319.43 represents chlorine and other materials on hand June 30, 1939.

*Other Deferred Charges* \$8,799.02 consist of the unexpended balance of an advance to Hetch Hetchy Water Supply \$3,754.57 plus various unbilled charges to other City Departments.

*Bonded Debt* \$40,441,000.00. The changes in the bonded debt during the fiscal year ended June 30, 1939 are shown in the following summary:

	Outstanding June 30, 1938	Redeemed	Outstanding June 30, 1939
July 1, 1928 Issue.....	\$33,002,000.00	\$ 1,000,000.00	\$32,002,000.00*
December 1, 1933 Issue.....	9,002,000.00	563,000.00	8,439,000.00
	<u>\$42,004,000.00</u>	<u>\$ 1,563,000.00</u>	<u>\$40,441,000.00</u>

The July 1, 1928 Issue (Spring Valley) are due serially—\$1,000,000.00 on July 1st of each year 1939 to 1970.

The December 1, 1933 Issue are due serially—\$563,000.00 on December 1st of each year 1939 to 1952 and \$557,000.00 on December 1, 1953.

*Bond Interest* \$861,927.50. The details of this liability are shown in the following summary:

	Total	1928 Issue	1933 Issue
Matured Coupons not presented for payment .....	\$113,797.50	\$ 21,937.50	\$ 91,860.00
Due July 1, 1939.....	720,000.00	720,000.00	
Accrued, not due.....	28,130.00		28,130.00
	<u>\$861,927.50</u>	<u>\$741,937.50</u>	<u>\$119,990.00</u>

*Accounts Payable* \$427,825.25 consist of:

Contracts, based on Progress Estimates.....	\$ 26,866.01
Purchase Orders.....	22,357.41
Service Orders .....	3,223.40
Miscellaneous .....	3,710.39
Water Department Total of Current Accounts Payable.....	\$ 56,157.21
Add—Balance of Commitments to agree with Controller's Records.....	209,054.65
Controller's Total of Water Department— Current and Deferred Liability.....	\$265,211.86
Consumers' Deposits and Construction Advances.....	\$91,706.78
Less—Work Orders on Custom Work Advances, per Controller .....	2,028.35
Warrants Outstanding .....	72,934.96
	<u>\$427,825.25</u>

These liabilities were verified by reference to the supporting documents and by comparison in total with the records of the Controller.

\*Includes \$2,000.00 matured, not presented for payment.

*Deferred Credits:*

*San Francisco Bay Exposition* \$330,991.30 represents the remaining credit for Exposition water system recorded costs to December 31, 1937 against which water charges, etc. are to be applied in accord with an agreement dated July 20, 1936. The stated balance at June 30, 1939 was developed as follows:

Balance June 30, 1938.....	\$356,745.56
Add cash received reimbursing Water Department for expense of operating pumping plant on Island.....	4,046.24
	<hr/> \$360,791.80
Less—Charges for water and pumping expense .....	29,800.50
	<hr/> <u>\$330,991.30</u>

Credit for additional costs to June 30, 1939 reportedly in the amount of \$98,784.19 have not been submitted to Mr. Eckart and are not reflected in the foregoing.

*Charges to San Francisco Bay Exposition* \$29,800.50 represents the charges for water and pumping expense for the fiscal year 1938-1939 held as a deferred credit pending the close of the Exposition.

*City of Palo Alto* \$215,419.37 represents deferred income to be realized through surcharges based on water consumption.

*General*

We are informed by the City Attorney's Office that suit has been brought against the City and County of San Francisco by Wells Fargo Bank and Union Trust Co. and Christian de Guigne, Sr., testamentary trustees under the last will and testament of Christian de Guigne, Jr., deceased, and Williams Bros. & Haas, Inc. These suits arose through alleged property damage during and after construction of Crystal Spring Pipe Line No. 2. The liability involved in these suits will remain indefinite as to amount until they have been adjudicated. The contingent liabilities of the Water Department by reason of other unsettled lawsuits are reported as inconsequential.

Section 122 of the Charter of the City and County of San Francisco provides for the merger of the Hetch Hetchy Project, upon completion, with the San Francisco Water Department. We are informed by the City Attorney's Office that, in their opinion, Hetch Hetchy has not been completed and cannot be merged with the Water Department.

In closing we wish to express our appreciation to the members of the Water Department and Controller's Office accounting staffs for their courtesy and cooperation.

Faithfully yours,

WILLIAM DOLGE & COMPANY.

SAN FRANCISCO WATER DEPARTMENT  
EXHIBIT A—BALANCE SHEET, June 30, 1939

## ASSETS

<i>Fixed Capital</i> .....	\$50,437,230.18
Properties in Service.....	\$70,639,146.66
Less Provision for Depreciation.....	20,291,062.61
	<u>50,348,084.05</u>
Construction in Progress—	
Expenditures plus Progress Estimates to	
June 30, 1939.....	89,146.13
<i>Cash</i> .....	2,882,658.36
On Deposit with Treasurer.....	2,852,658.36
Revolving Fund.....	<u>30,000.00</u>
<i>Accounts Receivable</i> .....	729,802.96
Consumers' Accounts.....	576,739.72
Other Accounts—for Rents, etc.....	18,643.87
	<u>595,383.59</u>
Less Allowance for Losses.....	81,000.00
	<u>514,383.59</u>
City of Palo Alto.....	<u>215,419.37</u>
<i>Interfund Account</i> .....	43,266.16
Public Service Enterprises.....	15,103.55
General City and County.....	<u>28,162.61</u>
<i>Deferred Charges</i> .....	507,875.40
Materials and Supplies.....	290,021.73
Commitments—Contra.....	209,054.65
Other Deferred Charges.....	<u>8,799.02</u>
	<u><u>\$54,600,833.06</u></u>

## LIABILITIES

<i>Bonded Debt</i> .....	\$40,441,000.00
Spring Valley 4½% Bond.....	\$32,002,000.00
Matured.....	\$ 2,000.00
Due July 1, 1939.....	1,000,000.00
Due July 1, 1940 to	
July 1, 1970.....	<u>31,000,000.00</u>
Water Distribution—4% Bonds—1933	
Due December 1, 1939 to December 1, 1953	<u>8,439,000.00</u>
<i>Bond Interest</i> .....	861,927.50
Matured.....	113,797.50
Due July 1, 1939.....	720,000.00
Due December 1, 1939 (Accrued Portion).....	<u>28,130.00</u>
<i>Accounts Payable</i> .....	427,825.25
Warrants Outstanding.....	72,934.96
Contracts, Purchase Order Creditors, etc.....	265,211.86
For Materials Received and	
Services Rendered.....	\$ 56,157.21
Commitments—Contra.....	<u>209,054.65</u>
Consumers' Deposits and	
Construction Advances.....	91,706.78
Less Work Orders per	
Controller.....	<u>2,028.35</u>
	<u>89,678.43</u>
<i>Interfund Accounts</i>	
General City and County.....	315,691.75
<i>Compensation Insurance Reserve</i> .....	17,191.17
<i>Deferred Credits</i> .....	576,211.17
San Francisco Bay Exposition, remaining	
credit for Exposition Water System re-	
corded cost to December 31, 1937 to be	
applied against water charges, etc.....	<u>330,991.30</u>
Charges to S. F. Bay Exposition fiscal year	
1938-1939, for water and pumping expense	
—held as deferred credit pending close of	
Exposition.....	<u>29,800.50</u>
City of Palo Alto, deferred income to be	
realized through surcharges based on water	
consumption.....	<u>215,419.37</u>
	<u><u>\$42,639,846.84</u></u>
<i>Surplus—Exhibit B</i> .....	<u>11,960,986.22</u>
	<u><u>\$54,600,833.06</u></u>





SAN FRANCISCO WATER DEPARTMENT  
EXHIBIT B  
SURPLUS ACCOUNT

For the Fiscal Year Ended June 30, 1939

<i>Balance June 30, 1938 per Audit Report</i> .....		\$11,042,154.38
<i>Add</i> .....		2,491,720.68
Net Income—Exhibit D.....	\$ 2,294,327.59	
Grant Earned on Federal Public Works Project—Docket No. 1132.....	113,987.60	
Depreciated Value of 12 inch Mains taken over from San Francisco Airport.....	20,898.83	
Cash Received under agreements— Palo Alto Pipe Line		
United State Army—Moffett Field.....	14,000.00	
California Water Service Company.....	28,000.00	
Other Miscellaneous Surplus Additions and Deductions—Net .....	20,506.66	
		<hr/> \$13,533,875.06
<i>Deduct—Contributions</i> .....		1,572,888.84
To General Fund of which \$290,826.00 was unpaid at June 30, 1939.....	\$ 990,826.00	
To Hetch Hetchy Water Supply.....	582,062.84	
		<hr/> <hr/> \$11,960,986.22
<i>Balance June 30, 1939</i> .....		

## SAN FRANCISCO WATER DEPARTMENT

## EXHIBIT C

## SURPLUS ACCOUNT—CONDENSED

From March 3, 1930 to June 30, 1939

<i>Initial Surplus—March 3, 1930.....</i>		<b>\$ 1,924,735.57</b>
Excess Earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price, in accordance with order of Railroad Commission of the State of California.....	\$ 4,152,652.24	
Valuation placed upon Municipal Water Works .....	100,000.00	
	<u>\$ 4,252,652.24</u>	
Less Additional Allowance for Depreciation from March 1, 1920 to March 3, 1930.....	2,327,916.67	
<i>Additions .....</i>		<b>23,124,717.83</b>
Net Profit March 3, 1930 to June 30, 1939 including miscellaneous year to year surplus adjustments .....	\$19,464,158.10	
Grants earned on Federal Public Works Projects .....	2,358,987.60	
Bond Premium less Bond Expense—Water Distribution Bonds—1933.....	808,292.40	
Salvage Value of Newark—San Lorenzo pipe line transferred from Hetch Hetchy Water Supply project.....	323,723.34	
Valuation placed upon pipe and other material from Hetch Hetchy Water Supply Corral Hollow pipe line used in Palo Alto pipe line .....	86,566.56	
Labor donated by Federal Government for construction of roof over Crystal Springs Aqueduct .....	20,091.00	
Depreciated value of 12 inch mains taken over from San Francisco Airport .....	20,898.83	
Cash received under agreements—Palo Alto pipe line—Moffett Field and California Water Service Company .....	42,000.00	
		<u>\$25,049,453.40</u>
<i>Deduct .....</i>		<b>13,088,467.18</b>
Contributions to General Fund, of which \$290,826.00 was unpaid at June 30, 1939...	\$ 8,745,968.10	
Contributions to Hetch Hetchy Water Supply and Power Project .....	2,208,422.10	
Land Contributed to City and County of San Francisco and to Joint Highway Commission for Streets and Boulevards .....	143,121.07	
Excess of Adjusted Book Value of Plant over Appraisal as of December 31, 1937 .....	1,990,955.91	
<i>Balance June 30, 1939 .....</i>		<b>\$11,960,986.22</b>

## SAN FRANCISCO WATER DEPARTMENT

## EXHIBIT D

## COMPARATIVE STATEMENT OF INCOME AND EXPENSE

For the Fiscal Years Ended June 30, 1939 and June 30, 1938

	Year ended June 30,	
	1939	1938
<i>Sale of Water:</i>		
San Francisco.....	\$ 6,042,870.00	\$ 5,986,952.95
Outside San Francisco.....	436,144.56	375,290.69
Municipal Departments—Actual.....	68,173.73	62,144.20
Municipal Departments—Comparison.....	476,351.90	438,822.90
	<u>\$ 7,023,540.19</u>	<u>\$ 6,863,210.74</u>
<i>Operating Expenses:</i>		
Source of Water Supply —Schedule 1.....	\$ 194,108.09	\$ 179,522.10
Pumping “ 2.....	180,902.59	133,203.81
Purification “ 3.....	64,347.99	72,782.32
Transmission and Distribution “ 4.....	306,756.26	309,662.98
Commercial Expenses “ 5.....	349,097.99	343,566.83
Administrative and General “ 6.....	620,553.75	514,277.96
Provision for Doubtful Accounts.....	6,000.00	6,000.00
Municipal Taxes—Comparison.....	476,351.90	438,822.90
	<u>\$ 2,198,118.57</u>	<u>\$ 1,997,838.90</u>
Provision for Depreciation.....	819,808.24	819,808.24
	<u>\$ 3,017,926.81</u>	<u>\$ 2,817,647.14</u>
<i>Profit from Operations.....</i>	<u>\$ 4,005,613.38</u>	<u>\$ 4,045,563.60</u>
<i>Other Income:</i>		
Rentals, Including Crop Shares.....	\$ 50,865.36	\$ 52,733.37
Sale of Walnuts.....	33,909.74	24,534.52
Interest Earned.....	15,000.06	10,057.55
City of Palo Alto—Surcharge.....	10,303.76	.....
Miscellaneous .....	11,609.53	3,628.77
	<u>\$ 121,688.45</u>	<u>\$ 90,954.21</u>
<i>Other Expense:</i>		
Bond Interest—1928 Issue.....	\$ 1,440,000.00	\$ 1,485,000.00
Bond Interest—1933 Issue.....	346,943.34	193,143.91
Agricultural Division.....	11,188.32	16,037.25
Walnut Orchard Expense.....	19,439.57	14,603.52
Miscellaneous .....	15,403.01	1,177.68
	<u>\$ 1,832,974.24</u>	<u>\$ 1,709,962.36</u>
<i>Net Income .....</i>	<u>\$ 2,294,327.59</u>	<u>\$ 2,426,555.45</u>
Comparison Charges for Federal Income Taxes and State Franchise Tax (estimated).....	<u>\$ 495,438.03</u>	<u>\$ 471,942.65</u>

SAN FRANCISCO WATER DEPARTMENT  
COMPARATIVE SCHEDULES IN SUPPORT OF OPERATING  
EXPENSES

For the Fiscal Years Ended June 30, 1939 and June 30, 1938

	Year ended June 30,	
	1939	1938
<i>Schedule 1—Source of Water Supply Expenses:</i>		
Superintendence .....	\$ 20,919.93	\$ 21,712.25
Operating Labor .....	27,978.12	28,963.54
Operating Supplies and Expense.....	15,721.10	15,787.89
Repairs—Building and Fixtures.....	86,446.07	94,206.21
Repairs—Surface Facilities .....	42,447.84	18,503.87
Repairs—Miscellaneous Equipment.....	595.03	348.34
	<u>\$ 194,108.09</u>	<u>\$ 179,522.10</u>

*Schedule 2—Pumping System:*

Labor Pumping.....	\$ 45,048.96	\$ 40,039.01
Labor Miscellaneous.....	2,775.03	3,606.43
Fuel for Steam.....	11,096.62	10,689.39
Power Purchased.....	107,406.01	64,317.69
Lubricants .....	61.89	49.92
Miscellaneous Supplies and Expense.....	2,119.22	2,158.51
Repairs—Primary Pumping Equipment.....	5,273.56	3,973.81
Repairs—Boilers and Equipment.....	290.37	1,311.31
Repairs—Miscellaneous Equipment .....	839.98	1,085.60
Other Repairs and Gardening.....	5,990.95	5,972.14
	<u>\$ 180,902.59</u>	<u>\$ 133,203.81</u>

*Schedule 3—Purification Expense:*

Labor (and superintendence).....	\$ 28,525.25	\$ 28,362.87
Supplies and Expense.....	31,116.44	40,889.24
Repairs—Plants and Structures and Equip- ment .....	4,355.50	3,199.01
Repairs and Maintenance—Roads and Trails .....	350.80	331.20
	<u>\$ 64,347.99</u>	<u>\$ 72,782.32</u>

*Schedule 4—Transmission and Distribution Expense:*

Superintendence .....	\$ 32,328.06	\$ 33,037.83
Patrolling Storage Facilities .....	12,062.05	11,903.86
Meters and Fitting Department.....	55,517.14	63,241.64
Street Department .....	13,511.11	15,371.52
Consumers' Premises Expense.....	13,495.97	12,964.92
Miscellaneous Supplies and Expense.....	7,825.57	7,475.05
Repairs—Transmission Mains and Canals....	15,368.96	18,467.93
Repairs—Reservoirs, Tanks and Standpipes .....	11,946.01	5,847.75
Repairs—Distribution Mains and Canals.....	62,557.68	55,428.02
Repairs—Service Connections.....	67,809.97	71,369.12
Repairs—Distribution Buildings.....	12,683.93	13,526.27
Repairs—Distribution Equipment.....	1,649.81	1,029.07
	<u>\$ 306,756.26</u>	<u>\$ 309,662.98</u>

Forward

SAN FRANCISCO WATER DEPARTMENT  
COMPARATIVE SCHEDULES (Continued)

	Year ended June 30,	
	1939	1938
<i>Schedule 5—Commercial Expense:</i>		
Collections .....	\$ 113,841.97	\$ 113,001.22
Reading Meters .....	34,466.32	33,476.94
Bookkeeping .....	106,249.31	99,242.59
General .....	32,944.42	33,097.28
Inspection and Service .....	47,193.84	50,465.42
Shipping .....	14,402.13	14,283.38
	<u>\$ 349,097.99</u>	<u>\$ 343,566.83</u>

*Schedule 6—Administrative and General Expenses:*

Salaries—General Officers .....	\$ 18,399.84	\$ 18,399.84
Salaries—General Office Clerks .....	41,231.95	40,628.25
Miscellaneous Supplies and Expense .....	10,039.18	5,387.76
Injuries and Damages .....	1,853.59	1,129.46
Relief Department Expense .....	37,883.23	39,860.19
Mason Street Building Expense .....	21,876.60	21,568.76
Telephone Service .....	15,563.54	15,294.47
Guest Cottages and Rest Room .....	1,521.98	2,245.17
General Engineering .....	32,556.72	33,689.62
Hydrography .....	2,809.79	2,104.77
Miscellaneous .....	766.70	4,270.30
Compensation Insurance .....	8,737.60	4,683.83
Other Insurance .....	5,952.15	5,282.72
Repairs—Mason Street Building .....	7,195.67	11,011.56
Repairs—Telephone System .....	5,893.49	8,774.90
Professional Services .....	7,300.00	7,293.75
Public Utility Commission Expense .....	45,209.10	52,522.00
Property Taxes (Outside of San Francisco) ....	257,488.21	240,130.61
	<u>\$ 522,279.34</u>	<u>\$ 514,277.96</u>
Repairs—Extraordinary—Calaveras Spillway and Newark Slough Submarine Line .....	75,257.29	
Professional Services—Extraordinary— Depreciation Survey .....	23,017.12	
	<u>\$ 620,553.75</u>	<u>\$ 514,277.96</u>



*Report on Examination of Accounts*

HETCH HETCHY WATER SUPPLY AND POWER PROJECT

FOR THE FISCAL YEAR ENDED JUNE 30, 1939

(Wherever italics appear in this Report, they indicate red figures.)





# JOHN F. FORBES & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CROCKER BUILDING

SAN FRANCISCO, CALIFORNIA

October 7, 1939.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the Hetch Hetchy Water Supply and Power Project for the year ended June 30, 1939, and submit the following exhibits and schedules:

Exhibit

A—Balance Sheet, June 30, 1939.

B—Statement of Operations for the Fiscal Year Ended June 30, 1939.

Schedule

1—Statement of Production Expenses.

2—Statement of Power Transmission Expenses.

3—Statement of Administrative and General Expenses.

In addition to the above, we present the following comments:

## SCOPE OF EXAMINATION

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1939, and an analytical review and test check of the revenues and expenses during the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the project and, without making a detailed audit of the transactions, have examined or tested accounting records of the project and other supporting evidence, by methods and to the extent we deemed appropriate. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1939, without regard to their classifications as to water or power.

The expert to the Grand Jury participated in the examination.

## OPERATIONS

On Exhibit B of this report will be found details of the operations of the project for the year under review.

The operations of the water supply division are financed by contributions from taxes of the City and County of San Francisco and the San Francisco Water Department, which contributions have been credited in the accounts to "Contributed Surplus." Also, reimbursements of the estimated expenses applicable to power operations have been received from the power division. These reimbursements have been credited by the water supply division to operating expense accounts. It will be observed that the operating statement does not include any other revenue for water supplied to the San Francisco Water Department.

Section 64 of the City Charter provides, in part, that the Public Utilities Commission shall maintain accounts for each utility in such a manner as to exhibit estimates of the amounts of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. During the year under review, county and irrigation district taxes aggregating \$8,132.37, were paid by the Hetch Hetchy Water Supply and Power Project. Additional taxes to which the project would be subject if privately owned and operated are listed below:

1. Federal income tax; normal tax; 16-<sup>1</sup>/<sub>2</sub> to 19 per cent of net income as defined by the Federal Internal Revenue Code.
2. Federal capital stock tax; \$1.00 per \$1,000.00 of declared value of capital stock.
3. Federal excess profits tax; 6 per cent of such portion of net income as is in excess of 10 per cent and not in excess of 15 per cent of declared value of capital stock; 12 per cent of such portion of net income as is in excess of 15 per cent of declared value of capital stock.
4. California state franchise tax; 4% of net income as defined by the California Bank and Corporation Franchise Tax Act.
5. Federal and State unemployment insurance and Federal old-age benefits pay-roll taxes. In this connection, however, it should be noted that the amount accrued by this project for the retirement benefits of its employees is greater than the taxes that would be assessable against a private utility under the Federal Social Security and State Unemployment Insurance Acts.

The following comments relate to assets and liabilities appearing on Exhibit A of this report:

#### PROPERTIES—\$106,191,871.53

As previously mentioned herein, our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1939, without regard to their classifications as to water or power.

Following is a condensed summary of the property accounts as recorded in the books, showing the changes therein during the year:

	Total	Water	Power
Balance, June 30, 1938, per audit report .....	\$106,254,117.27	\$80,100,631.00	\$26,153,486.27
Add estimated cost of Corral Hollow Pipe Line, retired from service, eliminated from property accounts as of June 30, 1938 .....	1,500,000.00	1,500,000.00	
Total cost to June 30, 1938.....	\$107,754,117.27	\$81,690,631.00	\$26,153,486.27
Adjustments to bring accounts into agreement with appraisal as of June 30, 1938, to which reference is made subsequently in this report .....	.27	13,668,715.00	13,668,715.27
Total properties per appraisal, June 30, 1938 .....	\$107,754,117.00	\$95,269,346.00	\$12,484,771.00
Additions .....	86,595.31	40,396.27	46,199.04
Total .....	\$107,840,712.31	\$95,309,742.27	\$12,530,970.04
Deduct retirements:			
Value allocated in appraisal to Corral Hollow Pipe Line .....	\$ 1,607,225.00	\$ 1,607,225.00	
Other .....	41,615.78	16,912.18	\$ 24,703.60
Total retirements .....	\$ 1,648,840.78	\$ 1,624,137.18	\$ 24,703.60
Balance, June 30, 1939 .....	\$106,191,871.53	\$93,685,605.09	\$12,506,266.44

In order to determine the amount of the reasonable annual depreciation requirement under the provisions of Section 128 of the City Charter, an appraisal of the properties of Hetch Hetchy Water Supply and Power Project was made as of June 30, 1938, by the Bureau of Engineering of the Public Utilities Commission. The appraised values of the several classes of property were used as a basis for redistributing the total cost of fixed capital shown by the books. In the appraisal, the properties were allocated to the two divisions on the following basis:

Power Division—Property used exclusively for power purposes, and

Water Division—All other property, i.e., property used exclusively for water purposes and that used jointly for power and water purposes.

Coincident therewith, the bonded debt of the "Project" outstanding as of June 30, 1938, was allocated "on the basis of the percentage relationships of the gross appraisal amounts for the two divisions" as shown below:

Water Division.....	88.4%
Power Division.....	11.6%
Total .....	<u>100.0%</u>

In this connection, it is noted that Section 9, paragraph (m) of the Raker Act provides in part as follows:

" . . . The said grantee shall develop and use hydro-electric power for the use of its people and shall, at prices to be fixed under the laws of California or, in the absence of such laws, at prices approved by the Secretary of the Interior, sell or supply such power for irrigation, pumping, or other beneficial use, said prices not to be less than will return to said grantee the actual total costs of providing and supplying said power, which costs shall be computed in accordance with the currently accepted practice of public cost accounting, as shall be determined by the Secretary of the Interior, including, however, a fair proportion of cost of conduit, lands, dams, and water-supply system; . . ."

The reallocations made of capital expenditures and bonded indebtedness between power and water do not appear to be in accordance with the general principles of the Raker Act. The controller of the City and County of San Francisco has officially recorded his objection to these reallocations in a communication to the Public Utilities Commission, dated May 31, 1939.

Section 122 of the City Charter provides that the Hetch Hetchy Project, when completed, shall be merged with the San Francisco Water Department. In view of this provision and the fact that the flow of water from the "Project" commenced in October, 1934, we requested an opinion from the City Attorney as to whether or not the project was completed as of June 30, 1939, within the meaning of the City Charter. In his reply, the City Attorney has stated that, in his opinion, the project is far from completion.

The Hetch Hetchy power division commenced operations on or about August 15, 1925, and construction of the water division was completed as of June 30, 1935.

Interest on bonds for the year under review has been distributed on the books between water and power operations on the basis of the percentages indicated above, applied to the total bond interest for the fiscal year. Based on the same percentages, the interest charged to the power division for the period from August 15, 1925, to June 30, 1938, would be reduced by approximately \$5,726,685.70, which amount would be distributable on the books of the water division as shown below:

Interest during construction (1925-1935).....	\$4,906,997.75
Operations (1935-1938) .....	819,687.95
Total .....	<u>\$5,726,685.70</u>

Also, the proportion of amortization of bond discount and expense charged to the power division during the indicated operating period would be subject to reduction in like manner.

It would appear from our limited review of the allocations referred to above, that any reduction in charges to the power division for bond interest and amortization of net bond discount and expense for the period from commencement of operations of that division to June 30, 1935, would increase the total construction costs of the project subject to allocation between the water and power divisions.

#### RESERVES FOR DEPRECIATION—\$8,793,028.12

Following is an analysis of the reserve for depreciation accounts showing the changes therein during the period under review:

	Total	Water	Power
Balance, June 30, 1938, per audit report .....	\$1,782,613.31		\$1,782,613.31
Add adjustments to bring reserves into agreement with bases established by the Bureau of Engineering of the Public Utilities Commission .....	5,439,785.90	\$3,791,070.98	1,648,714.92
Adjusted balance, June 30, 1938.....	<u>\$7,222,399.21</u>	<u>\$3,791,070.98</u>	<u>\$3,431,328.23</u>
Add:			
Provision for the year computed on the straight-line method, applied to the depreciable portions of cost and useful lives of the respective assets, as established by the Bureau of Engineering of the Public Utilities Commission .....	\$1,588,873.42	\$1,311,253.53	\$ 277,619.89
Additional provision to cover loss on plant retirements.....	27,630.58	3,532.06	24,098.52
Total charged to depreciation .....	<u>\$1,616,504.00</u>	<u>\$1,314,785.59</u>	<u>\$ 301,718.41</u>
Total . . . . .	<u>\$8,838,903.21</u>	<u>\$5,105,856.57</u>	<u>\$3,733,046.64</u>
Deduct:			
Plant retirements and cost of removal . . . . .	\$ 49,017.98	\$ 7,617.76	\$ 41,400.22
Less salvage recovered. . . . .	3,142.89	2,000.00	1,142.89
Remainder .....	<u>\$ 45,875.09</u>	<u>\$ 5,617.76</u>	<u>\$ 40,257.33</u>
Balance, June 30, 1939 . . . . .	<u>\$8,793,028.12</u>	<u>\$5,100,238.81</u>	<u>\$3,692,789.31</u>

The Board of Supervisors appropriated \$33,292.00 for reconstruction and replacement expenditures of the power division during the year under review, and this amount was transferred from the operating fund to the reconstruction and replacement fund. The balance in the latter fund at June 30, 1939, was \$282,372.26, composed of the following:

Cash on deposit with treasurer .....	\$207,372.26
Amount due from Hetch Hetchy Power	
Operating fund . . . . .	75,000.00
Total .....	<u>\$282,372.26</u>

Under Section 128-1 of the City Charter, the Public Utilities Commission is required to provide sufficient funds for reconstruction and replacements due to physical and functional depreciation of each of the utilities under the jurisdiction of the Commission, in accordance with established practice for utilities of similar character.

### CASH

On Deposit with Treasurer—\$3,783,608.81.

The cash on deposit with the treasurer as of June 30, 1939, is composed of the following funds:

Fund	Total	Water	Power
Construction .....	\$ 432,891.81	\$ 432,891.81	.....
Bond redemption .....	1,608,000.00	1,608,000.00	.....
Bond interest .....	1,460,526.25	1,460,526.25	.....
Operating .....	73,725.99	31,662.32	\$ 42,063.67
Depreciation .....	207,372.26	.....	207,372.26
Land purchase .....	1,092.50	1,092.50	.....
Total .....	<u>\$3,783,608.81</u>	<u>\$3,534,172.88</u>	<u>\$249,435.93</u>

These balances were verified by the auditing staff of the controller's office. We inspected the report on such verification and ascertained that the balances in the respective funds as recorded on the books were in agreement therewith.

Other—\$8,476.72

The composition of the above amount is as follows:

	Total	Water	Power
Revolving funds:			
Bank balances (verified by certifications obtained from depositaries) .....	\$4,834.21	\$2,934.60	\$1,899.61
Cash fund at city office (verified by count) .....	400.00	400.00	.....
Working fund for replacement jobs (receipt inspected) .....	300.00	300.00	.....
Reimbursements in transit, offset by liabilities included in accounts payable .....	2,465.79	1,365.40	1,100.39
Total, per books .....	<u>\$8,000.00</u>	<u>\$5,000.00</u>	<u>\$3,000.00</u>
Pay-roll deductions in transit (deposited in July, 1939) .....	476.72	.....	476.72
Total .....	<u>\$8,476.72</u>	<u>\$5,000.00</u>	<u>\$3,476.72</u>

### ACCOUNTS RECEIVABLE—\$199,415.08

The accounts receivable grouped under this caption are as follows:

Pacific Gas and Electric Company for power sales from the Moccasin and Early Intake Power Houses, for the month of June, 1939 .....	\$199,028.27
Miscellaneous accounts for electric energy, etc. ....	386.81
Total .....	<u>\$199,415.08</u>

With the exception of balances aggregating \$47.03, all of the above accounts had been collected at the time of our examination.

## DEFERRED CHARGES

Estimated Salvage Value—Corral Hollow Pipe Line—\$273,850.00

This account represents the estimated salvage value established by the Bureau of Engineering of the Public Utilities Commission as of June 30, 1938, of the Corral Hollow Pipe Line which has been retired from service.

As a result of the property valuation, to which reference has previously been made in this report, the loss on retirement of this property has been increased by \$107,225.00, the composition of which amount is as follows:

Value allocated to pipe line in property valuation.....	\$1,607,225.00
Deduct estimated salvage value.....	273,850.00
Loss on retirement.....	\$1,333,375.00
Deduct amount charged to surplus in previous year.....	1,226,150.00
Additional loss, charged to surplus.....	<u>\$ 107,225.00</u>

Materials and Supplies—\$18,448.45

The above amount represents book inventories. Physical inventories of materials and supplies were taken as of December 31, 1938, and May 31, 1939, and the ledger accounts adjusted to agree therewith.

Prepaid Rent, etc.—\$20,474.86

The composition of this amount is as follows:

One-half of \$30,000.00 rent due to the United States Government under the Raker Act, for the calendar year 1939 .....	\$15,000.00
Extension of electric energy line to serve Tesla Portal Chlorinating System.....	3,434.00
Work in progress.....	1,667.53
Miscellaneous .....	373.33
Total .....	<u>\$20,474.86</u>

## BONDED DEBT—\$65,833,000.00

Following is a summary of the bonds authorized and sold in connection with the Hetch Hetchy Water Supply and Power Project, together with those redeemed and those outstanding as of June 30, 1939:

Issue	Authorized and Sold	Redeemed in Prior Years	Redeemed During Year Under Review	Outstanding June 30, 1939
January 1, 1909.				
4½% — — — — —	\$ 600,000.00	\$ 600,000.00	.....	.....
July 1, 1910, 4½% — — — — —	45,000,000.00	17,977,000.00	\$1,017,000.00	\$26,006,000.00
January 1, 1925, 5% — — — — —	10,000,000.00	2,250,000.00	250,000.00	7,500,000.00
July 1, 1928, 4½% — — — — —	24,000,000.00	.....	598,000.00	23,402,000.00
June 1, 1932:				
5¾% — — — — —	4,325,000.00	.....	169,000.00	4,156,000.00
5% — — — — —	1,234,000.00	.....	21,000.00	1,213,000.00
4½% — — — — —	143,000.00	.....	.....	143,000.00
4% — — — — —	280,000.00	.....	10,000.00	270,000.00
3% — — — — —	194,000.00	.....	.....	194,000.00
2¾% — — — — —	324,000.00	.....	.....	324,000.00
December 1, 1933.				
4% — — — — —	3,500,000.00	700,000.00	175,000.00	2,625,000.00
Total	<u>\$89,600,000.00</u>	<u>\$21,527,000.00</u>	<u>\$2,240,000.00</u>	<u>\$65,833,000.00</u>

## BOND INTEREST—\$1,496,908.32

The composition of this liability is as follows:

Issue	Total	Due July 1, 1939	Matured Not Paid	Accrued Not Due
July 1, 1910, 4½% .....	\$ 603,900.00	\$ 585,000.00	\$ 18,900.00	.....
January 1, 1925,				
5% .....	189,775.00	187,500.00	2,275.00	.....
July 1, 1928, 4½% .....	544,117.50	526,500.00	17,617.50	.....
June 1, 1932:				
5¼% .....	81,410.41	.....	61,496.25	\$19,914.16
5% .....	17,904.17	.....	11,950.00	5,054.17
4½% .....	1,031.25	.....	495.00	536.25
4% .....	2,459.99	.....	1,560.00	899.99
3% .....	1,400.00	.....	915.00	485.00
2¾% .....	3,300.00	.....	2,557.50	742.50
December 1, 1933,				
4% .....	52,510.00	.....	43,760.00	8,750.00
Total .....	<u>\$1,496,908.32</u>	<u>\$1,299,000.00</u>	<u>\$161,526.25</u>	<u>\$36,382.07</u>

CONTRACTS, PURCHASE ORDERS, AND  
OTHER COMMITMENTS—\$28,339.26

These liabilities, which are in agreement with the controller's records, are as follows:

	Total	Water	Power
Reconstruction replacements .....	\$12,670.65	.....	\$12,670.65
Contracts .....	1,373.17	\$1,373.17	.....
Purchase orders .....	6,041.48	2,658.99	3,382.49
Miscellaneous .....	8,253.96	1,749.02	6,504.94
Total .....	<u>\$28,339.26</u>	<u>\$5,781.18</u>	<u>\$22,558.08</u>

## WARRANTS OUTSTANDING—\$34,956.24

Following is a summary of the warrants outstanding as of June 30, 1939, which were verified by comparison with the records maintained in the controller's office:

Funds on Which Drawn	Amount
Water Supply:	
Operating fund .....	\$ 9,770.17
Construction fund .....	20,506.00
Power Division—Operating fund .....	4,680.07
Total .....	<u>\$34,956.24</u>



## SURPLUS—\$34,260,753.01

The changes in the surplus accounts during the year under review are indicated in the following statement:

Balance, June 30, 1938, per audit report.....	\$39,236,854.81
Add:	
Contributions from taxes for bond interest and redemption.....	\$2,643,091.50
Contributions from San Francisco Water Department:	
For bond interest and redemption.....	447,025.00
For operating expenses.....	131,881.98
For additions and betterments.....	3,155.86
Total.....	3,225,154.34
Total .....	\$42,462,009.15
Deduct:	
Adjustment of reserve for depreciation as of June 30, 1938.....	\$5,439,785.90
Net loss for the year, per Exhibit B.....	2,629,765.87
Adjustment of loss on retirement of Corral Hollow Pipe Line.....	107,225.00
Cost of preliminary investigations and surveys written off.....	13,659.17
Estimated loss due to slide on South Fork Road .....	10,000.00
Miscellaneous .....	\$20.20
Total .....	8,201,256.14
Balance, June 30, 1939.....	\$34,260,753.01

## CONTINGENT LIABILITIES

We requested information from the City Attorney's Office as to contingent liabilities existing by reason of pending litigation and were informed that approximately sixty-five riparian law suits are pending in Stanislaus, San Joaquin, Tuolumne, Contra Costa, and Alameda Counties, as well as other suits. Also, in connection with the raising of the O'Shaughnessy Dam, the contractor has filed a claim for approximately \$450,000.00 in excess of the contract price, and a patent infringement suit is pending. In connection with the latter, the Controller has withheld payment of \$20,000.00 to the contractor. A contingent liability also exists for sales taxes on equipment sold, claimed by the State of California, in the amount of \$11,477.23.

Yours truly,

JOHN F. FORBES & COMPANY.

HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
BALANCE SHEET, JUNE 30, 1939

ASSETS		LIABILITIES	
Properties (see comments):		Bonded Debt:	
Fixed capital in service.....	\$105,730,946.53	Due July 1, 1939.....	\$ 1,600,000.00
Amazon and Glen Park reservoir sites (nonoperative) .....	460,925.00	Due December 1, 1939, to July 1, 1977.....	64,225,000.00
Total .....	\$106,191,871.53	Matured bonds not presented for payment....	8,000.00
Less reserves for depreciation.....	8,793,028.12	Total bonded debt.....	\$ 65,833,000.00
Remainder—Depreciated value.....	\$ 97,398,843.41		
Cash:		Bond Interest:	
On deposit with treasurer.....	\$ 3,783,608.81	Due July 1, 1939.....	\$ 1,299,000.00
Other .....	8,476.72	Accrued, not due.....	36,382.07
Total cash.....	3,792,085.53	Matured coupons not presented for payment	161,526.25
Accounts Receivable.....	199,415.08	Total bond interest.....	1,496,908.32
Interfund Accounts:		Accounts Payable:	
Public service enterprises.....	\$ 9,556.26	Contracts, purchase orders, and other com- mitments .....	\$ 28,339.26
General city and county.....	220.36	Warrants outstanding.....	34,956.24
Total interfund accounts.....	9,776.62	Rental due United States Government under the Raker Act.....	30,000.00
Deferred Charges:		Total accounts payable.....	93,295.50
Estimated salvage value—Corral Hollow Pipe Line .....	\$ 273,850.00	Interfund Accounts:	
Materials and supplies.....	18,488.45	Public service enterprises.....	\$ 14,643.31
Uncompleted contracts, purchase orders, and other commitments .....	18,705.20	General city and county.....	16,319.49
Prepaid rent, etc.....	20,474.86	Total interfund accounts.....	30,962.80
Total deferred charges.....	331,518.51	Deferred Credits:	
Total .....	<u>\$101,731,639.15</u>	Operating reserves.....	\$ 12,959.27
		Advance from San Francisco Water Depart- ment for work not yet performed.....	3,754.57
		Miscellaneous .....	5.68
		Total deferred credits.....	16,719.52
		Surplus (see comments).....	34,260,753.01
		Total .....	<u>\$101,731,639.15</u>

EXHIBIT A



# HETCH HETCHY WATER SUPPLY AND POWER PROJECT

## STATEMENT OF OPERATIONS

For the Fiscal Year Ended June 30, 1939

	Total	Water Supply	Power
<b>Revenues:</b>			
Power sales:			
Moccasin Power House:			
Through the Pacific Gas and Electric Company .....	\$8,875,950.91	.....	\$8,875,950.91
Less distribution commission....	6,555,309.59	.....	6,555,309.59
Remainder .....	\$2,320,641.32	.....	\$2,320,641.32
Miscellaneous .....	488.01	.....	488.01
Total .....	\$2,321,129.33	.....	\$2,321,129.33
Early Intake Power House:			
Pacific Gas and Electric Company .....	\$ 95,936.56	.....	\$ 95,936.56
Miscellaneous .....	2,392.00	.....	2,392.00
Total .....	\$ 98,328.56	.....	\$ 98,328.56
Total power sales.....	\$2,419,457.89	.....	\$2,419,457.89
Other revenues:			
Rents .....	\$ 8,971.90	\$ 2,343.20	\$ 6,628.70
Meals .....	4,683.33	.....	4,683.33
Sale of water.....	21.30	.....	21.30
Miscellaneous .....	442.15	29.14	413.01
Total .....	\$ 14,118.68	\$ 2,372.34	\$ 11,746.34
Total revenues .....	\$2,433,576.57	\$ 2,372.34	\$2,431,204.23
<b>Expenses (exclusive of provision for depreciation):</b>			
Production (Schedule 1).....	\$ 215,413.14	\$ 56,505.45	\$ 158,907.69
Transmission (Schedule 2).....	28,189.51	.....	28,189.51
Administrative and general (Schedule 3).....	134,062.72	64,813.01	69,249.71
Total expenses.....	\$ 377,665.37	\$121,318.46	\$ 256,346.91
Net operating revenue (loss in italic) before deducting depreciation and property losses.....	\$2,055,911.20	\$118,946.12	\$2,174,857.32
Income charge—valuation of properties .....	15,495.64	10,563.52	4,932.12
Net income (loss in italic) before deducting bond interest, provision for depreciation, and property losses —(Forward) .....	\$2,040,415.56	\$129,509.64	\$2,169,925.20

EXHIBIT B

# HETCH HETCHY WATER SUPPLY AND POWER PROJECT STATEMENT OF OPERATIONS (Continued)

	Total	Water Supply	Power
Net income (loss in italic) before deducting bond interest, provision for depreciation, and property losses —(Forward) .. . . . . .	\$2,040,415.56	<u>\$129,509.64</u>	<u>\$2,169,925.20</u>
Bond interest . . . . .	<u>3,053,677.43</u>		
Net loss before deducting provision for depreciation and property losses	<u>\$1,013,261.87</u>		
Deduct:			
Provision for depreciation.....	\$1,588,873.42		
Loss on plant retirements.....	<u>27,630.58</u>		
Total .. . . . . .	<u>\$1,616,504.00</u>		
Net loss transferred to surplus.....	<u><u>\$2,629,765.87</u></u>		

## NOTES:

The above statement does not include any revenue for water supplied by the Hetch Hetchy Water Supply to the San Francisco Water Department. However, during the year under review, the latter department has contributed \$582,062.84 towards the bond redemption, bond interest, additions and betterments, and operating expenses of the Hetch Hetchy Water Supply. These contributions have been credited to surplus.

The United States Government has instituted proceedings in the Federal District Court under the Raker Act seeking to restrain the City and County of San Francisco from distributing Hetch Hetchy power under the agency contract with the Pacific Gas and Electric Company. The United States Circuit Court of Appeals has recently issued a decision in favor of the City. The case will probably be taken to the United States Supreme Court for final decision.

While the capital expenditures have been re-allocated between the two divisions, no change has been made in the estimated proportion of the expenses of the water division charged to power operations.

# HETCH HETCHY WATER SUPPLY AND POWER PROJECT STATEMENT OF PRODUCTION EXPENSES

For the Fiscal Year Ended June 30, 1939

	Total	Water Supply	Power
Operation:			
Superintendence .....	\$ 8,086.44	.....	\$ 8,086.44
Hydraulic labor .....	12,631.79	.....	12,631.79
Station labor.....	44,917.81	.....	44,917.81
Miscellaneous labor .....	12,482.80	\$ 6,748.32	5,734.48
Contributions to retirement system.....	3,331.59	524.94	2,806.65
Supplies and expenses.....	15,649.63	1,362.89	14,286.74
Total .....	<u>\$ 97,100.06</u>	<u>\$ 8,636.15</u>	<u>\$ 88,463.91</u>
Maintenance:			
Buildings and structures.....	\$ 31,598.39	\$ 8,017.71	\$ 23,580.68
Reservoirs, dams, and intakes.....	7,327.96	1,465.57	5,862.39
Waterways .....	3,208.73	485.84	2,722.89
Pipelines .....	7,015.36	7,015.36	.....
Forebays, penstocks, and tailraces.....	2,725.00	.....	2,725.00
Roads and trails.....	16,660.79	9,430.99	7,229.80
Aqueduct tunnels.....	1,964.02	1,964.02	.....
Hydraulic power plant equipment.....	4,286.77	.....	4,286.77
Miscellaneous equipment, etc.....	5,861.31	3,055.61	2,805.70
Automotive transportation equipment, less transportation charges distributed	747.63	116.22	631.41
Total .....	<u>\$ 81,395.96</u>	<u>\$31,551.32</u>	<u>\$ 49,844.64</u>
Miscellaneous:			
Rent .....	\$ 25,090.00	\$12,590.00	\$ 12,500.00
Communication system .....	7,167.14	.....	7,167.14
Hydrography .....	4,659.98	3,727.98	932.00
Total .....	<u>\$ 36,917.12</u>	<u>\$16,317.98</u>	<u>\$ 20,599.14</u>
Total .....	<u><u>\$215,413.14</u></u>	<u><u>\$56,505.45</u></u>	<u><u>\$158,907.69</u></u>

EXHIBIT B—SCHEDULE 1

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT STATEMENT OF POWER TRANSMISSION EXPENSES

For the Fiscal Year Ended June 30, 1939

Operation:

Superintendence .....	\$1,726.96	
Transmission line labor .....	9,104.63	
Transmission line supplies and expenses.....	930.95	
Contributions to retirement system.....	484.44	
<b>Total .....</b>		<b>\$12,246.98</b>

Maintenance:

Transmission structures .....	\$ 19.19	
Substation equipment.....	3,793.51	
Towers and fixtures.....	397.77	
Tower line conductors.....	890.45	
Poles and fixtures.....	8,580.51	
Pole line conductors.....	499.19	
Roads and trails.....	1,187.80	
Miscellaneous .....	546.88	
<b>Total .....</b>		<b>15,915.30</b>

Miscellaneous—Transmission rents.....	27.23	
<b>Total .....</b>		<b>\$28,189.51</b>

### EXHIBIT B—SCHEDULE 2

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES

For the Fiscal Year Ended June 30, 1939

	Total	Water Supply	Power
Salaries and wages. ....	\$ 23,135.09	\$13,416.25	\$ 9,718.84
Contributions to retirement system.....	923.84	523.44	400.40
Services of other departments. ....	45,450.27	12,103.59	33,346.68
Professional services.....	2,936.21	1,450.00	1,486.21
Stationery, office supplies, and postage.....	993.70	377.45	616.25
Telephone and telegraph .....	739.76	494.90	244.86
Travelling expenses .....	834.88	561.01	273.87
Automobile and other insurance .....	1,680.56	580.34	1,100.22
Water rights and damage claims .....	30,756.58	30,756.58	
Raker Act and other litigation .....	13,287.44	420.41	12,867.03
County and irrigation district taxes.....	8,132.37	4,066.19	4,066.18
Exhibits at Golden Gate International Exposition .....	5,000.00		5,000.00
Miscellaneous .....	192.02	62.85	129.17
<b>Total .....</b>	<b>\$134,062.72</b>	<b>\$64,813.01</b>	<b>\$69,249.71</b>

### EXHIBIT B—SCHEDULE 3

*Report on Examination of Accounts*

MUNICIPAL RAILWAY OF SAN FRANCISCO

FOR THE FISCAL YEAR ENDED JUNE 30, 1939



# PEAT, MARWICK, MITCHELL & CO.

ACCOUNTANTS AND AUDITORS

RUSS BUILDING

SAN FRANCISCO, CALIFORNIA

November 1, 1939.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by Ordinance No. 9.0621 finally passed by the Board of Supervisors on October 9, 1933, we have made an examination of the Balance Sheet of the Municipal Railway of San Francisco, a utility under the jurisdiction of the Public Utilities Commission, as at June 30, 1939 and of the Income and Surplus Accounts for the year ended that date. In connection therewith, we examined or tested accounting records of the Railway and other supporting evidence and obtained information and explanations from officials and employees of the Railway; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions. We now submit our report on the examination, together with related statements as enumerated in the index prefixed hereto.

The expert to the Grand Jury participated in the examination.

During the year under review, an appraisal of Fixed Capital and the related Depreciation Reserves as at June 30, 1938 and a redetermination of the annual provision for depreciation was completed by engineers designated by the Public Utilities Commission. The adjustments necessary to record the results of this appraisal have been entered on the books of the Railway and are commented on later in this report.

In the following comments and accompanying Exhibits, various figures relating to the year ended June 30, 1938 are submitted for purposes of comparison. Such figures have been taken from the report of the auditors for that year after adjustments to give effect to the appraisal and redetermination of the annual provision for depreciation referred to above.

## OPERATIONS

As shown by the Income Account, Exhibit "A," appended hereto, the net income for the year ended June 30, 1939 amounted to \$392,357.04 after providing for maintenance and depreciation of the physical properties and bond interest, but before consideration of comparative charges for taxes commented on later in this report. The following is a condensed statement of the operations for the year ended June 30, 1939, with comparative figures for the previous year:

### *Comparative Income Account*

	Year ended June 30,	
	1939	1938
Operating Revenue	\$4,143,548.62	\$3,472,879.98
Operating Expenses including Depreciation	3,683,388.22	3,379,991.57
Operating Income	\$ 460,160.40	\$ 92,888.41
Other Income	4,279.97	8,929.15
Total Income	\$ 464,440.37	\$ 101,817.56
Bond Interest	72,083.33	77,083.33
Net Income	\$ 392,357.04	\$ 24,734.23

For purposes of the foregoing comparison, the provision for depreciation for the year ended June 30, 1938 has been increased by \$63,472.26, representing the additional provision necessary for that year, based on the findings of the engineers in their appraisal of the Fixed Capital as at June 30, 1938.

From the foregoing tabulation it will be seen that the Operating Revenue for 1938-39 shows an increase of \$670,668.64, (19.31%) over that of the previous year. This improvement is the result of increased traffic probably attributable primarily to the fact that the seven cent fare on competing lines was effective throughout the entire year 1938-39 as compared with only one month and three days in the preceding year; another factor which undoubtedly resulted in increased travel was the Golden Gate International Exposition.

Compared with the above increase of 19.31% in gross revenue, the increase in operating expenses was only \$303,396.65 (8.98%), resulting in an increase in Operating Income of \$367,271.99. A decrease in Other Income is more than offset by a decrease in Bond Interest paid—the result of the retirement on December 1, 1938 of \$100,000.00 5% bonds—with the result that the net income for 1938-39 has exceeded that of the preceding year by \$367,622.81.

#### *Comparative Charges for Taxes*

Section 64 of the City Charter provides in part that the Public Utilities Commission shall maintain separate accounts for each utility in such manner as to exhibit "... estimates of the amount of taxes that would be chargeable against such property and the revenue thereof, if privately owned and operated."

Accordingly, the Railway has established memorandum accounts in its records showing amounts which it has estimated would be expended for taxes if the Railway were operated as a privately-owned utility. These amounts which are not charged to operations are referred to as "Comparative Charges for Taxes" and for the year ended June 30, 1939 were recorded as follows:

#### *City and County of San Francisco Taxes:*

City Franchise Tax.....	\$ 26,580.86
City Property Tax.....	102,684.13

City Franchise Tax is calculated at .6415% of passenger and advertising revenue, that being the rate assessed to the Market Street Railway Company as set by Ordinance 15,0919, passed on June 10, 1935.

In the absence of an assessed valuation of the property of the Municipal Railway, the amount recorded for City Property Tax has been calculated in accordance with a formula based on gross revenue only. In our opinion, the basis used for compliance with the Charter requirements should be reviewed as, based on the methods which we understand are used for assessment of properties of privately owned utility companies in the State of California, we estimate the comparative charge for City and County Property Tax at approximately \$114,000.00.

It will be noted that no estimate has been made for Federal Income, California State Franchise and various other taxes. So many factors enter into the computation of such taxes, that accurate estimates are probably impracticable but it would appear that, under the most favorable circumstances, such taxes for the year ended June 30, 1939 would exceed \$55,000.00. Included in this estimate are Federal Corporation Income Tax, Federal Capital Stock Tax sufficient to eliminate liability for Federal Excess Profits Tax, and California State Franchise Tax. Unemployment and Old Age Benefit Taxes are more than offset by the Railway's payments to the City and County Employees' Retirement System which aggregated 5.41% of the total payroll.

No vehicle license, registration or weight fees are paid by the Railway to the State of California.

Further particulars of the operations for the year under review will be found in Exhibit "A." The net income has been transferred to Surplus from Operations, a summary of which is as undernoted:

*Surplus from Operations*

Balance as at June 30, 1938 as per report of previous auditors.....	\$1,643,719.44
Add additional depreciation for 1934 to 1938 provided for in audit reports, but not recorded on books.....	952,166.23
Balance as per books at June 30, 1938.....	\$2,595,885.67
Deduct additional depreciation accrued to June 30, 1938 as determined by appraisal of Fixed Capital.....	590,255.23
Adjusted balance as at June 30, 1938.....	\$2,005,630.44
<b>Add:</b>	
Net Income for the year ended June 30, 1939.....	\$392,357.04
Less Miscellaneous Adjustments (Net).....	6,058.85
Balance as at June 30, 1939.....	\$2,391,928.63

The following are the changes in Contributed Surplus during the year under review:

*Contributed Surplus*

Balance as at June 30, 1938.....	\$1,531,315.13
Value as estimated by Bureau of Engineering, of Labor and Material furnished by Works Progress Administration during year ended June 30, 1938 for construction of "L" car line extension.....	32,319.75
	\$1,563,634.88
Deduct Subway test borings contributed by the City and County, now abandoned .....	770.94
Balance as at June 30, 1939.....	\$1,562,863.94

Contributed Surplus represents principally contributions of City and County funds to the Municipal Railway. Further details of both Surplus from Operations and Contributed Surplus will be found in Exhibit "B."

## FINANCIAL POSITION

A Balance Sheet of the Municipal Railway as at June 30, 1939 is presented in Exhibit "C" appended hereto. Tabulated below is a synopsis of this Balance Sheet, together with figures at June 30, 1938, as set forth in the report of the auditors for the year then ended, adjusted to give effect to the appraisal of fixed assets and depreciation reserves already referred to herein.

*Condensed Comparative Balance Sheet*

	June 30,	
	1939	1938
<i>Assets</i>		
Fixed Capital (Net).....	\$4,181,836.28	\$4,082,835.46
Cash on Deposit with Treasurer.....	1,372,571.02	1,005,269.26
Revolving Funds .....	6,500.00	4,000.00
Accounts Receivable .....	1,709.00	670.10
Interfund Accounts Receivable.....	55,764.24	1,243.82
Deferred Charges .....	355,088.07	267,931.78
Total.....	\$5,973,468.61	\$5,361,950.42
<i>Liabilities</i>		
Bonded Debt .....	\$1,401,200.00	\$1,500,500.00
Bond Interest Payable .....	18,815.83	19,652.50
Accounts Payable and Commitments .....	422,624.33	188,552.05
Interfund Accounts Payable.....	77,250.34	19,017.36
Reserve for Accident Claims .....	98,785.54	96,533.79
Deferred Credits to Income .....		749.15
Surplus .....	3,954,792.57	3,536,945.57
Total.....	\$5,973,468.61	\$5,361,950.42

*Fixed Capital*

A summary of the changes during the year under review in the Fixed Capital Accounts and the related Reserves for Depreciation, segregated in accordance with the primary account classifications prescribed for Street Railways by the Interstate Commerce Commission, will be found in Schedule 1 appended hereto. The additions and retirements during the year are summarized below:

Balance as at June 30, 1938.....	\$ 9,987,392.29	
Additions:		
Construction of Bay Bridge Terminal Loop.....	\$154,045.65	
Twelve additional buses.....	123,938.16	
Six buses replaced.....	62,865.18	
Other replacements .....	59,112.98	
Other additions and construction in progress.....	15,160.06	
Estimated Value of W.P.A. work on "L" line extension completed September, 1937.....	32,319.75	447,441.78
		<u>\$10,434,834.07</u>
Deductions:		
Estimated Cost of:		
Property Replaced .....	101,412.66	
Property Retired .....	1,829.18	103,241.84
Balance as at June 30, 1939.....		<u>\$10,331,592.23</u>

During the year preceding that under review, the Railway completed the extension of the "L" car line to Fleishhacker Pool, a Federal Works Progress Administration project. However, at June 30, 1938, only an amount of \$27,676.25 representing actual expenditures by the Railway or from the General Funds of the City and County had been recorded. Subsequently, the Bureau of Engineering estimated the value of the extension line, based on the probable cost under regular contracts, at \$59,996.00. The difference of \$32,319.75, representing the estimated value of the W.P.A. work, was thereupon recorded on the books as Fixed Capital with a corresponding credit to Contributed Surplus.

We inspected contracts, purchase orders and invoices and thereby satisfied ourselves that expenditures were properly capitalized. By reference to the minutes of the Public Utilities Commission, we ascertained that all major expenditures had received the approval of that body.

The following is a summary of the Reserves for Depreciation for the year ended June 30, 1939:

*Reserves for Depreciation*

Balance as at June 30, 1938 as per report of auditors.....	\$6,266,467.83	
Deduct additional Depreciation for five years ended June 30, 1938 provided for in former audit reports but not recorded on books .....	952,166.23	
Balance as at June 30, 1938 per books.....	\$5,314,301.60	
Add additional Depreciation accrued at June 30, 1938 as determined by appraisal of Fixed Capital as at that date.....	590,255.23	
Adjusted balance as at June 30, 1938.....	\$5,904,556.83	
Add provision for Depreciation for the year ended June 30, 1939 .....	344,407.21	
		<u>\$6,248,964.04</u>
Deduct Depreciation on Assets:		
Replaced .....	\$98,045.94	
Retired .....	1,162.15	99,208.09
Balance as at June 30, 1939.....		<u>\$6,149,755.95</u>

Prior to June 30, 1938 the Railway management interpreted Section 128 of the Charter to mean that only depreciation in an amount equal to the amount of cash set aside in the depreciation fund should be provided annually and only such amounts were recorded on the books from July 1, 1933 to June 30, 1938. Since this amount was less than that obtained by computing 3% of the cost of road and equipment, at which rate depreciation had been provided since May 1, 1926, additional depreciation at that rate was accumulated from July 1, 1933 in the reports of the auditors examining the accounts of the Railway. Following ratification by the electorate on March 9, 1937 of a Charter amendment, amending and classifying Section 128 and adding Section 128.1, the Railway management agreed to the provision for reasonable annual depreciation as prescribed in Section 128 (as amended), "on the basis of an appraisal of the estimated life and the then current depreciated value of the several classes of property." Accordingly, an appraisal as at June 30, 1938 was made by engineers designated by the Public Utilities Commission whose findings were tabulated in accounting form by Messrs. Lybrand, Ross Bros. & Montgomery, in their report dated January 21, 1939. This report prescribed increases of \$590,255.23 in the depreciation reserves as shown by the books of the Railway, set the rates to be used for each primary account classification and established the depreciation provision for the year ended June 30, 1939 at \$343,280.73, which amount has been increased by \$1,126.48 representing depreciation based on the estimated value of W.P.A. work on the "L" line extension not included in the appraisal.

#### *Cash on Deposit with Treasurer*

Cash on deposit with the Treasurer of the City and County of San Francisco is held in the following funds:

Operating Fund .....	\$ 992,555.26
Reconstruction and Replacement Fund.....	365,515.76
Accident Reserve Fund.....	317.50
Bond Interest Fund.....	12,982.50
Bond Redemption Fund .....	1,200.00
Total.....	<u>\$1,372,571.02</u>

All cash balances on deposit with the Treasurer were confirmed by a review of the report by the Controller's audit staff prepared in connection with the examination as at June 30, 1939 of the Treasurer's records and confirmation of cash balances at that date made pursuant to Section 66 of the Charter.

Under the new section, numbered 128.1, added to the Charter on March 9, 1937, a new Reconstruction and Replacement Fund was established in lieu of the former Depreciation Reserve Fund and, in accordance therewith, authorization was received from the Controller to change the name of the Depreciation Reserve fund effective February 1, 1939. The fund has been administered in accordance with the Charter amendments during the whole of the year under review.

In May and June, 1939, accident claims totaling \$6,564.00 were paid from the Accident Reserve fund which had remained unchanged since June 30, 1931. No settlement between the Operating fund and the Accident Reserve fund has been made since that date and there appears to be some doubt whether Ordinance 8570 prescribing the use of this fund is operative under the present Charter. With the exception of the amount of \$6,564.00 referred to, all accident claims have been paid from the Operating Fund since June 30, 1931, in accordance with the annual appropriation made by the Board of Supervisors. We are informed that the only reason for charging the above amount of \$6,564.00 against the Accident Reserve fund during 1938-39 was to utilize the idle funds remaining therein.

#### *Revolving Fund*

By Ordinance No. 133, Series of 1939, finally passed April 24, 1939, a new revolving fund of \$6,500.00 was created superseding the former fund of

\$4,000.00. This fund is used principally for the payment of accident claims and petty expenditures and is in the custody of the following:

Thos. B. Johnson—Claims Adjuster.....	\$5,500.00
F. Boeken—Manager .....	1,000.00
Total.....	<u>\$6,500.00</u>

The following was the composition of the Revolving Fund at June 30, 1939:

Cash in Banks.....	\$1,150.27
Petty Cash Funds.....	25.00
Deposit with Bond and Warrant Clerk, Hall of Justice.....	100.00
Disbursements awaiting reimbursement.....	5,060.73
Disbursements for which Controller has refused reimbursement .....	164.00
Total.....	<u>\$6,500.00</u>

Cash in banks was confirmed by certificates obtained from the depositaries and that on hand by actual count. We examined signed receipts for the deposit held at the Hall of Justice which is maintained to facilitate the furnishing of bail for motormen or other employees of the Railway. Disbursements awaiting reimbursement appear to be regular; those for which the Controller has refused reimbursement consist principally of accident claims not filed with the Controller's office within the prescribed period.

#### *Accounts Receivable*

Accounts Receivable comprise amounts due from the Market Street Railway Company and the Pacific Gas and Electric Company for track or pole rentals, etc. These amounts which have since been collected, were more than offset at June 30, 1939 by amounts due to these companies but have not been deducted therefrom on the Balance Sheet in conformity with the accounting practice of the Railway.

#### *Interfund Accounts Receivable*

Interfund Accounts Receivable, which have been confirmed with the records of the Controller's office, were receivable from the following:

##### General City and County:

Funds appropriated for Traffic Survey but still un- expended .....	\$55,000.00
Interest on Municipal Railway Cash balances from April 1 to June 30, 1939.....	764.24
Total.....	<u>\$55,764.24</u>

#### *Deferred Charges*

##### Deferred Charges consist of:

Materials and Supplies.....	\$182,477.08
Replacement jobs in progress.....	33,062.57
Commitments—Contra .....	139,548.42
Total.....	<u>\$355,088.07</u>

Materials and Supplies are stated at cost or, in certain instances, at scrap value as shown by inventories prepared from perpetual inventory cards as at May 31, 1939 and adjusted in total for transactions during the month of June, 1939. During the year under review, physical inventories of all sections of the stores were taken and the perpetual inventory cards adjusted therewith. We examined the physical inventory records and made tests with the perpetual inventory cards. The cost of recent purchases of materials as shown

by the cards was confirmed from invoices, warrants, purchase orders, etc., and the transactions for the month of June were examined and tested with detail records in support thereof. We also made tests of the correctness of the calculations. We have reviewed the procedure followed in taking the physical inventories and find that these are made, in the case of the Geary Street car barn stores, by the storekeeper, without independent check which, in our opinion, largely mitigates the value of the check on the stores. We are informed that the storekeeper is the only employee sufficiently familiar with the stores to be able to make a proper inventory thereof, an undesirable condition both from the standpoint of internal control and for the possible adverse effect on the efficient operation of the Railway should the storekeeper become incapacitated. We have obtained a certificate from a responsible official of the Railway covering the quantities and valuations of the inventories which also states that adequate provision has been made for possible depreciation of materials and supplies regarded as obsolete or inactive.

Replacement jobs in progress comprise the relaying of two miles of track at a total estimated cost of \$40,000.00, for which \$26,048.85 had been expended at June 30, 1939, together with various minor replacements. No deduction had been made from Fixed Capital at June 30, 1939 for assets in course of replacement.

Commitments—Contra represent the unexpended balances of encumbrances at June 30, 1939. It is the accounting practice of the City and County of San Francisco to reflect the total encumbrances as a liability in all Proprietary Balance Sheets in order to facilitate reconciliation with "Funding" Balance Sheets and accordingly it is necessary to include unexpended balances as an asset.

#### *Bonded Debt*

The Bonded Debt of the Municipal Railway consists of the unredeemed portion of an issue of bonds in 1913. This is payable as follows:

Matured bonds not presented for payment.....	\$ 1,200.00
Bonds maturing \$100,000.00 annually from December 1, 1939 to December 1, 1952.....	1,400,000.00
Total.....	<u>\$1,401,200.00</u>

We confined our confirmation of this liability to reference to the records of the Controller.

#### *Bond Interest Payable*

Bond Interest Payable may be stated as follows:

Matured coupons not presented for payment:	
1913 issue.....	\$12,937.50
1910 issue (Geary Street) .....	22.50
1910 issue (Market Street) .....	22.50
	<u>\$12,982.50</u>
Accrued interest at 5% from April 1 to June 30, 1939.....	5,833.33
Total.....	<u>\$18,815.83</u>

We confined our confirmation of this liability to reference to the records of the Controller and computation of accrued interest due.

#### *Accounts Payable and Commitments*

Accounts Payable and Commitments comprise the following:

Warrants Outstanding.....	\$118,166.91
Contracts, Purchase Orders, etc. (Encumbrances):	
For Materials and Services received. ....	\$164,909.00
Commitments—Contra .....	139,548.42
	<u>304,457.42</u>
Total.....	<u>\$422,624.33</u>

The amounts of Warrants Outstanding and of Encumbrances are in agreement with the records of the Controller. A scrutiny of the records of the Railway did not disclose that any material liabilities had been incurred for which the Controller had not recorded encumbrances.

#### *Interfund Accounts Payable*

Interfund Accounts Payable which have been confirmed with the records of the Controller's office are due to the following:

##### General City and County:

General Fund (Power Bills).....	\$42,639.38
Public Utilities Commission.....	6,962.42
Employees' Retirement System.....	21,034.48
County Roads Fund .....	6,541.93

\$77,178.21

San Francisco Water Department.....	72.13
-------------------------------------	-------

Total..... \$77,250.34

#### *Reserve for Accident Claims*

This reserve is provided for the payment of accident claims and the expenses of the Claims Department. In recent years all such claims, with the exception referred to earlier in this report, have been paid from the Operating Fund and accordingly this reserve is now maintained simply as a proprietary account. Since July 1, 1934, 3% of gross operating revenue has been added each year to this reserve which amount appears to be adequate. The following are the changes in the Reserve during the year under review:

Balance as at June 30, 1938.....	\$ 96,533.79
Add 3% of Gross Revenue for the year ended June 30, 1939	124,306.46
	<u>\$220,840.25</u>
Deduct Accident Claims, Hospital and Doctors' bills and Expenses incident thereto.....	122,054.71
Balance as at June 30, 1939.....	<u>\$ 98,785.54</u>

We examined approved warrants, vouchers, etc., for all expenditures and satisfied ourselves that they were properly chargeable to the reserve.

#### *Contingent Liabilities*

We have been advised by the City Attorney that, to his knowledge, there are no contingent liabilities other than accident claims which are provided for by the Reserve for Accident Claims. Our examination did not disclose any other liabilities of this character.

#### GENERAL

*Insurance.* The Municipal Railway carries full coverage on automobiles and trucks and also messenger and interior robbery insurance. Other than this, the Railway does not carry insurance on its properties nor does it insure against liability for property damage and workmen's compensation. No reserves are provided for such contingencies, all losses being charged off as current expenses when incurred.

Yours truly,

PEAT, MARWICK, MITCHELL & CO.



**EXHIBIT A**  
**INCOME ACCOUNT**  
For the Years Ended June 30, 1939 and 1938

	Year ended June 30,	
	1939	1938 (Note)
Operating Revenue:		
Passenger.....	\$4,107,365.10	\$3,444,744.88
Other.....	36,183.52	28,135.10
Total Operating Revenue.....	<u>\$4,143,548.62</u>	<u>\$3,472,879.98</u>
Operating Expenses:		
Maintenance of Ways and Structures.....	\$ 185,944.03	\$ 155,275.94
Maintenance of Equipment.....	206,557.52	207,932.16
Power.....	560,433.34	516,072.40
Conducting Transportation.....	1,979,399.00	1,803,752.88
Provision for Damage Claims and Expenses incidental thereto.....	124,306.46	104,186.40
General and Miscellaneous.....	282,340.66	249,491.06
	<u>\$3,338,981.01</u>	<u>\$3,036,710.84</u>
Provision for Depreciation.....	344,407.21	343,280.73
Total Operating Expenses.....	<u>\$3,683,388.22</u>	<u>\$3,379,991.57</u>
Operating Income.....	<u>\$ 460,160.40</u>	<u>\$ 92,888.41</u>
Other Income:		
Interest on Bank Balances, etc.....	\$ 3,102.47	\$ 2,667.87
Sale of Scrap from Ways and Structures Replacements.....	1,177.50	4,462.35
Miscellaneous.....		1,798.93
Total Other Income.....	<u>\$ 4,279.97</u>	<u>\$ 8,929.15</u>
Total Income.....	<u>\$ 464,440.37</u>	<u>\$ 101,817.56</u>
Bond Interest.....	72,083.33	77,083.33
Net Income.....	<u>\$ 392,357.04</u>	<u>\$ 24,734.23</u>

NOTE: After adjustment of Depreciation, for purposes of comparison, to rates adopted for 1938-39, based on findings of engineers designated by the Public Utilities Commission.

## EXHIBIT B

### SURPLUS

For the Year Ended June 30, 1939

#### SURPLUS FROM OPERATIONS

Balance as at June 30, 1938 as shown in report of the auditors for the year then ended.....		\$1,643,719.44
Add additional provision for depreciation for five years ended June 30, 1938 provided for by auditors but not recorded on books .....		952,166.23
Balance as at June 30, 1938 as per books.....		<u>\$2,595,885.67</u>
Deduct additional depreciation accrued at June 30, 1938 as determined by appraisal of Fixed Capital as at that date.....		590,255.23
Adjusted balance as at June 30, 1938.....		<u>\$2,005,630.44</u>
Add:		
Net Income for year ended June 30, 1939.....	\$392,357.04	
Provision for wage increases held by Superior Court of the State of California not to be payable and now written back.....	2,841.96	
	<u>\$395,199.00</u>	
Less Expenditures for Rapid Transit and Subway Surveys abandoned .....	8,900.81	386,298.19
Balance as at June 30, 1939.....		<u><u>\$2,391,928.63</u></u>

#### CONTRIBUTED SURPLUS

Balance as at June 30, 1938:		
From General Taxes.....		\$1,502,516.25
Donated Equipment .....		24,000.00
Salvage from abandoned Market Street Railway Company line .....		4,798.88
		<u>\$1,531,315.13</u>
Value as estimated by Bureau of Engineering, of labor and material furnished by Works Progress Administration during year ended June 30, 1938 for construction of "L" car line extension .....		32,319.75
		<u>\$1,563,634.88</u>
Deduct Expenditures for Subway test borings contributed from General City and County funds in prior years, now abandoned .....		770.94
Balance as at June 30, 1939.....		<u><u>\$1,562,863.94</u></u>

EXHIBIT C  
BALANCE SHEET  
As at June 30, 1939

ASSETS		LIABILITIES	
Fixed Capital:		Bonded Debt:	
Road and Equipment.....	\$10,331,592.23	Issue of December 1, 1913, 5%, Maturing	
Less Reserve for Depreciation.....	6,149,755.95	\$100,000.00 annually to December 1, 1952.....	\$ 1,400,000.00
		Matured Bonds not Presented for Payment.....	1,200.00
Cash on Deposit with Treasurer.....	\$ 4,181,836.28		<u>\$ 1,401,200.00</u>
Revolving Fund.....	1,372,571.02		
	6,500.00	Bond Interest Payable:	
Accounts Receivable (Other than Interfund).....	1,709.00	Matured Coupons not Presented	
Interfund Accounts Receivable.....	55,764.24	for Payment.....	\$ 12,982.50
Deferred Charges:		Accrued—not due.....	<u>5,833.33</u>
Materials and Supplies.....	\$182,477.08		
Replacement Jobs In Progress.....	33,062.57	Accounts Payable (Other than In-	
Commitments—Contra.....	139,548.42	terfund):	
		Warrants Outstanding.....	118,166.91
		Contracts, Purchase Orders,	
		etc.:	
		For Materials and Services	
		Received.....	164,909.00
		Commitments—Contra.....	<u>139,548.42</u>
			422,624.33
		Interfund Accounts Payable.....	77,250.34
		Reserve for Accident Claims.....	<u>98,785.54</u>
		Surplus:	
		Contributed.....	1,562,863.94
		From Operations.....	<u>2,391,928.63</u>
		Total.....	<u>\$ 5,973,468.61</u>
Total.....	<u>\$ 5,973,468.61</u>		

**SCHEDULE 1**  
**FIXED CAPITAL AND RESERVE FOR DEPRECIATION**  
As at June 30, 1939

	FIXED CAPITAL			RESERVE FOR DEPRECIATION					
	Balance June 30, 1938 (Note 1)	Transactions During Year		Balance June 30, 1939	Balance June 30, 1938 (Note 1)	Transactions during Year		Balance June 30, 1939	Net Book Value
WAYS AND STRUCTURES:		Additions	Retirements			Provision for Depreciation Schedule "2"	Retirements		
Right of Way.....	\$ 169,839.07	-----	-----	\$ 169,839.07	-----	-----	-----	-----	\$ 169,839.07
Other Land used in Electric Railway.....	265,490.48	-----	-----	265,490.48	-----	-----	-----	-----	265,490.48
Grading .....	502,076.70	22,792.83	-----	524,869.53	\$ 183,451.08	\$ 9,734.12	-----	\$ 193,185.20	331,684.33
Ballast .....	360,606.02	5,979.92	370.12	366,215.82	171,287.85	9,082.62	\$ 370.12	180,000.35	186,215.47
Ties .....	193,077.00	5,417.32	692.55	197,801.77	141,094.76	7,500.75	692.55	147,902.96	49,898.81
Rails, Rail Fastenings and Joints.....	943,175.51	25,806.81	4,944.16	964,038.16	640,996.54	33,843.70	4,019.06	670,821.18	293,216.98
Special Work .....	331,315.25	50,004.25	13,817.48	367,502.02	234,497.64	18,047.73	13,817.48	238,727.89	128,774.13
Track and Roadway Labor.....	808,385.12	61,955.52	7,882.08	862,458.56	606,288.78	33,926.18	7,882.08	632,332.88	230,125.68
Paving .....	1,216,224.00	27,538.19	3,104.51	1,240,657.68	924,330.24	49,104.54	3,104.51	970,330.27	270,327.41
Roadway, Machinery and Tools.....	21,895.87	1,307.42	91.75	23,111.54	12,524.63	954.88	86.75	13,392.76	9,718.78
Tunnels and Subways.....	14,987.49	-----	-----	14,987.49	12,342.63	528.97	-----	12,871.60	2,115.89
Bridges, Trestles and Culverts.....	4,689.04	-----	-----	4,689.04	1,523.99	117.23	-----	1,641.22	3,047.82
Crossings, Fences and Signs.....	46,075.71	-----	-----	46,075.71	11,123.72	937.89	-----	12,061.61	34,014.10
Signal and Interlocking Apparatus.....	2,686.27	17,473.92	-----	20,160.19	2,174.34	213.66	-----	2,388.00	17,772.19
Telephone and Telegraph Lines.....	179.07	-----	-----	179.07	71.64	11.94	-----	83.58	95.49
Poles and Fixtures.....	276,731.54	3,015.01	1,629.61	278,116.94	124,875.03	6,614.65	1,051.23	130,438.45	147,678.49
Underground Conduits.....	157,032.80	-----	-----	157,032.80	61,556.88	2,798.04	-----	64,354.92	92,677.88
Distribution System.....	807,485.83	21,235.44	6,012.27	822,709.00	521,635.88	27,502.20	6,012.27	543,125.81	279,583.19
Shops and Carhouses.....	977,447.65	-----	127.83	977,319.82	386,884.79	20,244.47	127.83	407,001.43	570,318.39
Stations, Miscellaneous Buildings and Structures .....	39,566.28	2,382.00	1,550.00	40,398.28	25,187.48	1,542.21	1,550.00	25,179.69	15,218.59
Total Ways and Structures.....	<u>7,138,966.70</u>	<u>244,908.63</u>	<u>40,222.36</u>	<u>7,343,652.97</u>	<u>4,061,847.90</u>	<u>222,705.78</u>	<u>38,713.88</u>	<u>4,245,839.80</u>	<u>3,097,813.17</u>
EQUIPMENT:									
Passenger and Combination Cars—Electric.....	1,694,851.31	5,376.60	1,785.27	1,698,442.64	1,126,549.00	65,135.50	1,605.27	1,190,079.23	508,363.41
Passenger and Combination Cars—Buses.....	189,686.70	186,287.25	58,069.53	317,904.42	81,026.70	17,862.35	56,594.53	42,294.52	275,609.90
Service Equipment, Electric.....	13,871.11	-----	-----	13,871.11	10,230.36	439.22	-----	10,669.58	3,201.53
Service Equipment, Automotive.....	31,068.61	5,867.71	2,517.76	34,418.56	19,406.50	1,543.76	1,782.44	19,167.82	15,250.74
Electric Equipment of Cars.....	841,975.83	-----	-----	841,975.83	550,923.02	33,143.90	-----	584,066.92	257,908.91
Shop Equipment .....	43,221.97	588.89	80.80	43,730.06	32,394.59	1,729.59	67.35	34,056.83	9,673.23
Furniture .....	33,750.06	2,566.32	566.12	35,750.26	22,178.76	1,847.11	444.62	23,581.25	12,169.01
Total Equipment .....	<u>2,848,425.59</u>	<u>200,686.77</u>	<u>63,019.48</u>	<u>2,986,092.88</u>	<u>1,842,708.93</u>	<u>121,701.43</u>	<u>60,494.21</u>	<u>1,903,916.15</u>	<u>1,082,176.73</u>
CONSTRUCTION IN PROGRESS.....	-----	1,846.38	-----	1,846.38	-----	-----	-----	-----	1,846.38
Total Road and Equipment.....	<u>\$9,987,392.29</u>	<u>\$447,441.78</u>	<u>\$103,241.84</u>	<u>\$10,331,592.23</u>	<u>\$5,904,556.83</u>	<u>\$344,407.21</u>	<u>\$99,208.09</u>	<u>\$6,149,755.95</u>	<u>\$4,181,836.28</u>

## Note:

1. Balances at June 30, 1938 are stated as reclassified and adjusted in accordance with the appraisal of Fixed Capital and Related Reserves for Depreciation made by Engineers designated by the Public Utilities Commission and as shown in the report of Lybrand, Ross Bros. & Montgomery, dated January 21, 1939.



SCHEDULE 2  
PROVISION FOR DEPRECIATION  
For the Year ended June 30, 1939

	Balance at June 30, 1938 (Notes 1 and 2)	Amount not Subject to Depreciation	Amount Subject to Depreciation	Annual Rate of Depreciation (Note 3)	Provision for Depreciation for the Year ended June 30, 1939
<b>WAYS AND STRUCTURES:</b>					
Right of Way.....	\$ 169,839.07	\$169,839.07	-----	-----	-----
Other Land Used in Electric Railway.....	265,490.48	265,490.48	-----	-----	-----
Grading .....	506,181.01	-----	\$ 506,181.01	1.92	\$ 9,734.12
Ballast .....	363,304.69	126,212.11	237,092.58	2.50	9,082.62
Ties .....	195,017.72	-----	195,017.72	3.85	7,500.75
Rails, Rail Fastenings and Joints.....	946,165.44	66,022.29	880,143.15	3.58	33,843.70
Special Work.....	331,489.10	6,626.30	324,862.80	5.44	18,047.73
Track and Roadway Labor.....	814,223.75	-----	814,223.75	4.17	33,926.18
Paving .....	1,227,613.62	-----	1,227,613.62	4.00	49,104.54
Roadway Machinery and Tools.....	21,895.87	1,009.48	20,886.39	4.36	954.88
Tunnels and Subways.....	14,987.49	-----	14,987.49	3.53	528.97
Bridges, Trestles and Culverts.....	4,689.04	-----	4,689.04	2.50	117.23
Crossings, Fences and Signs.....	46,075.71	-----	46,075.71	2.04	937.89
Signals and Interlocking Apparatus.....	2,686.27	-----	2,686.27	7.95	213.66
Telephone and Telegraph Lines.....	179.07	-----	179.07	6.67	11.94
Poles and Fixtures.....	278,513.31	13,836.58	264,676.73	2.37	6,614.65
Underground Conduits.....	157,032.80	3,140.66	153,892.14	1.78	2,798.04
Distribution System.....	808,888.08	121,122.87	687,765.21	3.40	27,502.20
Shops and Carhouses.....	977,447.65	40,516.32	936,931.33	2.07	20,244.47
Stations, Miscellaneous Buildings and Structures .....	39,566.28	2,012.21	37,554.07	3.90	1,542.21
Total Ways and Structures.....	<u>7,171,286.45</u>	<u>815,828.37</u>	<u>6,355,458.08</u>		<u>222,705.78</u>
<b>EQUIPMENT:</b>					
Passenger and Combination Cars—Electric.....	1,694,851.31	85,093.20	1,609,758.11	3.84	65,135.50
Passenger and Combination Cars—Buses.....	189,686.70	9,484.35	180,202.35	9.42	17,862.35
Service Equipment—Electric.....	13,871.11	218.18	13,652.93	3.17	439.22
Service Equipment—Automotive .....	31,068.61	2,041.78	29,026.83	4.97	1,543.76
Electric Equipment of Cars.....	841,975.83	41,003.95	800,971.88	3.94	33,143.90
Shop Equipment .....	43,221.97	590.06	42,631.91	4.00	1,729.59
Furniture .....	33,750.06	1,152.87	32,597.19	5.47	1,847.11
Total Equipment.....	<u>2,848,425.59</u>	<u>139,584.39</u>	<u>2,708,841.20</u>		<u>121,701.43</u>
Totals .....	<u>\$10,019,712.04</u>	<u>\$955,412.76</u>	<u>\$9,064,299.28</u>		<u>\$844,407.21</u>

## Notes:

- Included in Cost at June 30, 1938 is the estimated value, \$32,319.75, of W. P. A. Labor on the "L" line extension completed in September 1937 but not set up on the books of the Municipal Railway until June 30, 1939. This amount has been included in additions in Schedule 1.
- It is the policy of the Railway to provide Depreciation only in respect of assets acquired prior to the beginning of the year for which provision is made.
- Rates of Depreciation are in accordance with those determined by Engineers designated by the Public Utilities Commission and as shown in the report of Lybrand, Ross Bros. & Montgomery, dated January 21, 1939.



*Report of Examination of Accounts*

SAN FRANCISCO SCHOOL DEPARTMENT

(A Unified School District)

FOR THE FISCAL YEAR ENDED JUNE 30, 1939

(Wherever italics appear in this Report, they indicate red figures.)





**LESTER HERRICK AND HERRICK**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**TAX CONSULTANTS**  
**MERCHANTS EXCHANGE**  
**SAN FRANCISCO, CALIFORNIA**

October 10, 1939.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Sir:

In accord with the terms of our engagement, we have made an examination of the accounts of the School Department of the City and County of San Francisco (such department constituting the San Francisco Unified School District) for the fiscal year ended June 30, 1939.

Our examination has embraced a general verification of the accounts of the School Department relating to assets and liabilities as at June 30, 1939, and review, analysis and test of the accounted transactions during the year to the extent appearing appropriate, in view of the existing methods of internal control and the comprehensive continuous audit of expenditures maintained by your office, supplemented by the obtaining of related explanations and information from officials and employees.

The items relating to Fixed Capital Properties, Bonded Debt and Bond Interest, included as a part of the accompanying statements, are not reflected by the accounts of the School Department but are based upon the accounts of the Controller which have been made the subject of a separate independent examination.

The expert and assistant to the Grand Jury participated in our examination.

There are presented hereinafter, as a part of our report, the following statements:

PROPRIETARY BALANCE SHEET, June 30, 1939;  
 STATEMENT OF SURPLUS ACCOUNTS,  
     for the fiscal year ended June 30, 1939;  
 STATEMENT OF REVENUES AND EXPENDITURES,  
     for the fiscal year ended June 30, 1939;  
 ANALYSIS OF EXPENDITURES,  
     for the fiscal year ended June 30, 1939;  
 FUNDS BALANCE SHEET, June 30, 1939;  
 STATEMENT OF RECONCILEMENT OF PROPRIETARY  
 BALANCE SHEET WITH FUNDS BALANCE SHEET.

Note: The Statements of Revenues and Expenditures also exhibit for comparative purposes similar data for the prior fiscal year.

With reference to the statements presented and in further explanation of the character and extent of our examination, we observe as follows:

# **PROPRIETARY BALANCE SHEET**

*Fixed Capital Properties—\$46,048,050.32:*

The general accounts of the School Department do not reflect the accumulated costs or other values of fixed properties or liabilities for bonded debt and bond interest, but certain independent subsidiary records are maintained in which are recorded details of cost of existing properties under the general headings of Land, Buildings and Equipment. In this situation the item of Fixed Capital Properties is stated in the accompanying Balance Sheet upon the basis of the accounts maintained by the Controller. We are informed that such values represent original cost (or appraised values where cost has not been ascertainable) and that in accordance with the general accounting policy of the City and County such existing service assets are stated without accounting of accruing depreciation. Certain transactions prior to June 30, 1939 concerned with property sales, the proceeds of which were \$228,000.00 less than the account value of the properties, and with properties abandoned of an account value of \$58,000.00 are to be accounted by the Controller after that date, with the consequence that the total value shown is subject to reduction by \$286,000.00.

We reviewed the subsidiary records maintained by the School Department to an extent sufficient to satisfy us that all reported retirements have been recorded and that the charges aggregating \$888,895.00 constitute proper capital charges for additions, betterments and bond interest during construction. We find no indication of capitalization of maintenance, repairs or replacements.

The subsidiary records aforementioned embrace reasonably adequate records of all important appliances or movable equipment, and methods are in use which result in identifying and establishing the existence of equipment items as they are replaced, but no procedures are in effect for confirming periodically the existence of items shown by the records, their status as to whether or not in use or to designate the individuals who should have the accountability therefor. In our prior reports, we have expressed the opinion that the extent of such movable equipment was of sufficient amount to indicate that considerable advantage would result from an improvement in the existing equipment records and procedures. We find that the only progress made in this matter during the past year has been in a minor particular. While the scope of our investigation has not been sufficient for us to form a firm opinion, nevertheless we are still impressed with the possibility that substantial direct or indirect savings would result from improvement in the existing records or methods. One of the benefits to result from such improvement would be the development of the extent of surplus equipment at locations which would be available of transfer to other locations at which required. We therefore suggest that our prior recommendations be considered further. At least, a procedure should be established for the taking of progressive inventories which gradually would develop the extent of equipment which no longer existed and of that not in use.

From the records of the Controller and from examination of policies, we ascertained that insurance of \$23,350,000.00 is in force with forty-six companies against loss by fire of property of the School Department.

*Cash—\$4,729,895.27:*

The cash balances which are on deposit with the City Treasurer were confirmed by a reference to a report of audit of his records and confirmation of cash balances made by your office staff. The composition and reconciliation of the balances on deposit with the City Treasurer are as follows:

	School Department Balances	Warrants out- standing and Matured Bonds and Coupons not presented for payment	Interfund Transfers	Treasurer's Balances
<i>Current Funds:</i>				
San Francisco Unified School District.....	\$ 269,191.55	\$237,950.26	\$159,793.35	\$ 666,935.16
Bond Int. 5% 1908 .....		100.00		100.00
" " 4½% 1918 .....		4,207.50		4,207.50
" " 5% 1923 .....		5,425.00		5,425.00
" " 3% 1934 .....		(a) 22,500.00		22,500.00
" " 1¾% 1938 .....		1,417.50		1,417.50
" " 2% 1938 .....		4,320.00		4,320.00
" Redmp. 4½% 1918 .....		1,000.00		1,000.00
Total Current Funds..	\$ 269,191.55	\$276,920.26	\$159,793.35	\$ 705,905.16
<i>Capital Funds:</i>				
P. W. A. Docket 1578..	\$3,730,034.29	\$ 17,409.60	\$242,709.43	\$3,990,153.32
School House Bond 1934 .....	99.80			99.80
School Bond 1938.....	403,127.55		402,502.78	624.77
Total Capital Funds....	\$4,133,261.64	\$ 17,409.60	\$159,793.35	\$3,990,877.89
<i>Special and Trust Funds:</i>				
School Teachers' Sabbatical Leave ....	\$ 12,455.38	\$ 6,556.65		\$ 19,012.03
Sunshine School Eqpt. Teachers' Annuity .....	35.46			35.46
Deposit .....	16.09	9.44		25.53
School Teachers' Permanent (Retirement) .....	6,638.40	(b) 7,000.80		13,639.20
Total Special and Trust Funds .....	19,145.33	13,566.89		32,712.22
Totals .....	\$4,421,598.52	\$307,896.75		\$4,729,495.27
Bond Redemption.....		\$ 1,000.00		
Bond Interest .....		37,970.00		
<i>Warrants Outstanding:</i>				
Current .....		237,950.26		
Capital .....		17,409.60		
Special and Trust....		13,566.89		
Warrants				
Outstanding ....	13,737.29			
Deposit not entered .....	170.40			
		\$307,896.75		

(a) Bond interest due July 1, 1939.

(b) After reduction of \$170.40 for deposits (payroll deductions) not entered by Treasurer until July, 1939.

We verified the revolving funds, aggregating \$400.00, by count and investigation of the related bank accounts.

*Accounts Receivable*—\$156,069.40:

Taxes Receivable were confirmed by reference to the records of the Controller which have been made the subject of separate independent examination. In

pursuance of the practice established in prior years, a reserve has been set up equal to the total of unsecured taxes (as well as other accounts receivable) with the consequence that the amount stated represents only taxes secured by real estate.

*Interfund Accounts—\$5,100.54:*

The account with the Department of Public Works represents an advance made in 1934 for the purpose of providing that department with a working balance for the carrying of supplies to be used for maintenance work for the School Department.

*Deferred Charges—\$321,446.37:*

The item of Stores amounting to \$151,325.37 represents the cost of all unused supplies on hand in the warehouse and administrative offices of the School Department including certain supplies, principally janitorial, which were delivered to schools before June 30, 1939 for use during the subsequent Fall term. The amount stated, which does not include any supplies which were requisitioned for use prior to June 30, 1939 but remained on hand on that date at schools, together with similar data for the prior year, is made up as follows:

	June 30-39	June 30-38
<i>Stores carried over:</i>		
At warehouse .....	\$ 61,011.80	\$ 60,587.55
At administrative office.....	3,314.31	2,520.02
	<u>\$ 64,326.11</u>	<u>\$ 63,107.57</u>
<i>Current purchases for use after June 30:</i>		
At warehouse .....	\$ 59,880.15*	\$ 47,209.91
At administrative office.....	488.87	148.16
At schools.....	26,630.24	26,964.04
	<u>\$ 86,999.26</u>	<u>\$ 74,322.11</u>
<b>Totals</b> .....	<u><u>\$151,325.37</u></u>	<u><u>\$137,429.68</u></u>

\* Includes \$17,056.17 for purchases for which invoices had not been received, although recorded as commitments. Similar purchases were not recorded in the general accounts at June 30, 1938.

Control accounts are maintained by the School Department covering movements of stores through its warehouse as well as for the small amount of supplies kept in the administrative offices. Subsidiary records also are maintained as to quantities of various articles handled by the warehouse, embracing requisitions by schools and orders for purchases, as well as actual receipts, deliveries and balances. The balance in the control account for stores is therefore represented by the various articles shown to be on hand by the subsidiary records upon the basis of their cost. As of March 22, 1939, when quantities of stores were at a minimum, the balances of the subsidiary accounts were verified or adjusted by physical inventories taken under the direction of the office staff of the School Department. Upon the valuation of these inventories it was found necessary to adjust the controlling account for warehouse stores for a net deficiency in inventories of \$396.42 and for administrative stores for an excess of \$91.95. The negligible amount of these variations is commendatory of the efficiency of the accounting for stores.

We reviewed the records of the physical inventories taken as of March 22, 1939, and from tests made of the computations and inquiry as to methods used in taking and pricing, we are satisfied of their essential accuracy. The inventories were priced upon the basis of cost of purchases which, we are informed, do not vary greatly from current replacement prices as at June 30, 1939. We are informed that the inventories include only a comparatively few items of negligible total value which are not in current use. While inventories were not taken at June 30, 1939, nor were the balances shown by the subsidiary records valued, the indications of the March 22, 1939 inventory warrant reliance upon the balances of the control accounts at June 30, 1939.

We investigated the methods employed for the routine review and approval of supply requisitions received from schools. All requisitions (including those for supplies to be delivered direct to schools as well as from the warehouse) are prepared under the direction of school principals, and in the administrative offices are regularly reviewed, revised if necessary, and approved before deliveries are made. The greater part of supplies is covered by so-called Fall and Spring "Term" requisitions which exhibit the quantities of articles then on hand at the schools as well as the total quantity required.

The "Term" requisitions as received from the schools are tabulated as to each article and, after any revisions which are found necessary, are approved upon the basis of established standards which relate to daily average attendance, prior needs, comparative needs of similar schools and classes and other pertinent factors. These methods and procedures appear to be adequate upon the basis of such standards as are being used, but the contemplated scope of our investigation did not embrace a study of the adequacy of such standards or their proper application.

Responsibility for the control of supplies after delivery to schools is placed upon the principal. While there are no uniform methods prescribed, we are informed that most of the larger schools keep their stock of supplies under control in storerooms and deliveries for use are made only upon approved requisitions. In smaller schools, supplies for each term usually are distributed to various classrooms where responsibility for their proper use is placed with the teacher. Inasmuch as the control exercised by the administrative offices of the School Department ceases with the delivery of supplies to schools, it would appear advantageous to take occasional test inventories, under the supervision of the administrative offices, as a safeguard against unnecessary accumulation of supplies or possible waste. We again recommend the establishment of a supply stock revolving fund. While such a fund would involve certain changes in procedure, it would not result in additional clerical work and its several advantages indicate the desirability of its establishment.

The item of Shop Work in the sum of \$7,159.17 is correctly stated upon the basis of cost of supplies on hand, maintenance jobs in process and current cost of reconditioning old equipment which is awaiting delivery.

Unexpired insurance in the sum of \$11,921.30 represents that part of payments, on account of premiums for a five year term, which is applicable to coverage after June 30, 1939.

*Bonded Debt*—\$12,369,000.00:

As in the case of Fixed Capital Properties, the general accounts of the School Department do not reflect the outstanding school bonds nor the transactions relating to their servicing. Accordingly, the amount of the bonded debt is stated from the accounts of the Controller as follows:

Year of issue	Interest Rate	Amount Outstanding	Annual Maturities	
			1939/1940	Subsequent Fiscal Years
1918.....	4½%	\$ 526,000.00*	\$175,000.00	\$175,000.00 to 1941/2
1923.....	5%	8,400,000.00	300,000.00	300,000.00 to 1966/7
1934.....	3%	1,500,000.00	300,000.00	300,000.00 to 1943/4
1938.....	1¾%	647,000.00	.....	216,000.00 1946/7-7/8-8/9
1938.....	2%	1,296,000.00	.....	216,000.00 1944/5
		<u>\$12,369,000.00</u>	<u>\$775,000.00</u>	

\* Includes \$1,000.00 matured not presented.

Changes during the year in bonds outstanding were as follows:

Bonds sold—1938, 1¾%.....	\$ 647,000.00
1938, 2%.....	1,296,000.00
Total .....	\$ 1,943,000.00
Less retired .....	1,363,000.00
Net increase of bonded debt.....	\$ 580,000.00
Bonded debt July 1, 1938.....	11,789,000.00
Bonded debt June 30, 1939.....	<u>\$12,369,000.00</u>

*Accounts Payable—\$354,539.83:*

From our review and analysis of the related accounts and from observation and inquiry, we have become satisfied that all unpaid liabilities as at June 30, 1939 for current expenditures and purchases of supplies are stated with reasonable completeness. The liability of \$13,566.89 for outstanding warrants relating to special and trust funds is separately stated under such caption.

The stated liabilities do not embrace provision for contingent liabilities and no reserves therefor have been set up in the general accounts. We are informed by the attorney of the School Department that pending suits embrace claims for personal injuries aggregating approximately \$122,600.00 (excluding two suits which were settled after June 30, 1939 by payment of \$350.00), which, in his opinion, can be settled for an estimated total of \$10,000.00. A number of other suits are pending with respect to salary adjustments. The principal ones affect a group of about 3,000 teachers, in which a recomputation was ordered by the trial court over a year ago, against which an appeal is still pending. It is stated that a period of more than a year will elapse before final adjudication of these cases.

*Special and Trust Funds—\$32,712.22:*

The amounts stated for these funds were reconciled with and confirmed by reference to the records of the Controller.

*Surplus—\$38,315,361.31:*

The composition of the Surplus Accounts as related to the Funds and other assets restated from the Balance Sheet is as follows:

	Current Accounts	Capital Accounts	Special and Trust Accounts	Total
Cash . . . . .	\$706,305.16	\$ 3,990,877.89	\$32,712.22	\$ 4,729,895.27
Less—Matured bonds, interest currently due, accounts payable and Special Trust Funds..	376,100.23	17,409.60	32,712.22	426,222.05
Balance . . . . .	\$330,204.93	\$3,973,468.29	.....	\$4,303,673.22
Interfund Cash Accts. . .	159,793.35	159,793.35	.....	.....
Balance—Net Cash.....	\$170,411.58	\$4,133,261.64	.....	\$4,303,673.22
Fixed Capital Properties less Bonded Debt not due .....	.....	\$33,680,050.32	.....	\$33,680,050.32
Other Assets:				
Taxes Receivable . . .	\$156,069.40	.....	.....	\$ 156,069.40
Interfund Accounts —	5,100.54	.....	.....	5,100.54
Stores & Shop Work	158,484.54	.....	.....	158,484.54
Insurance Unexpired and Miscellaneous —	11,983.29	.....	.....	11,983.29
Total Surplus. . . . .	\$502,049.35	\$37,813,311.96	.....	\$38,315,361.31

That part of Capital Surplus designated as P. W. A. Docket No. 1578 is made up as follows:

Transfer from Current Surplus—General.....	\$1,409,238.74
Appropriated from Sales of 1938 School Bonds.....	1,540,000.00
Transfer from Current Surplus—P. W. A.....	11,990.17
Total.....	12,765.07
Less—Capital Outlays.....	774.90
Transfer from 1934 Bond Issue.....	11,167.19
Balance, July 1, 1938.....	11,341.75
Less.....	174.56
Capital Outlays.....	74.76
Balance July 1, 1939.....	99.80
Transfer from Bond Interest and Redemption Fund of City and County of San Francisco.....	10,241.69
Federal Grants.....	\$2,982,637.79
Total.....	1,361,441.95
Less—Capital Outlays.....	\$4,344,079.74
Balance.....	614,045.45
	<u>\$3,730,034.29</u>

#### STATEMENT OF REVENUES AND EXPENDITURES

Our examination of the accounts relating to revenues and expenditures has been limited to a general review and test of the recorded transactions supplemented by inquiry as to the existence and adequacy of methods of internal control.

Revenues from taxes of the City and County have been confirmed generally by consideration of the records of assessed valuation of taxable property and the application thereto of established tax rates. Revenues received from the State of California and the Federal Government have been confirmed by reference to their published reports. Accounting of rental and receipts from property sales have been verified by examination of reports from the Real Estate Department, and other revenue has been verified by tests of the related records.

We have reconciled the monthly totals of all cash recorded as received with the deposits with the Treasurer as reflected by the Controller's accounts.

All expenditures of the School Department have been subjected to comprehensive audit by the Controller with respect to legality, authorization and existence of liability and, in our opinion, such continuous attention makes unnecessary our independent reference to the expenditure documents. We have, however, reviewed the methods and procedures employed by the School Department in connection with the accounting of expenditures, including an extensive test of salary changes by reference to minutes of the meetings of the Board of Education and the published salary schedules of the School Department. We also made tests with respect to expenditures for purposes other than salaries by review of records indicating approval of commitments therefor by the Board of Education or its Finance Committee.

Our consideration of the distribution of expenditures with respect to functional analysis has been limited to only such review and analysis as were necessary for the preparation of the statements constituting a part of this report, but, from general observation, we are satisfied that the methods employed are such as to insure essential accuracy.



The transactions of the School Department as reflected by its accounts are summarized as follows:

Revenue from property taxes, subventions from the State of California, Federal aid and income from miscellaneous sources .....	\$10,069,019.71
Operating and Maintenance expenditures.....	9,888,906.58
Net Revenue.....	\$ 120,113.13
Capital Outlays from Revenues.....	202,000.29
Excess of Expenditures over Revenue for the year ended June 30, 1939, provided from unexpended Revenue at beginning of year .....	\$ 81,887.16

It is observed that the general accounts of the School Department relate only to those transactions which in whole or in part are subject to its control and do not include an accounting of revenues from taxation applicable only to bond interest and redemption requirements, nor do they reflect such expenditures as are incurred by other departments of the City in connection with medical care of pupils or other service to the School Department.

The total expenditures as shown by the accounts of the School Department are \$497,027.05 more than the total of expenditures for schools as shown by the Controller. This difference is due to the following:

Contributions on account of retirement fund charged by controller to Employees' Retirement System.....	\$498,558.09
Expenditures accounted by School Department not accounted by Controller until after June 30, 1939.....	45,320.79
Miscellaneous items composed principally of amounts charged by School Department to maintenance and by Controller to fixed properties .....	7,799.41
	\$551,678.29

Less:

Miscellaneous revenues treated by School Department as expense abatements.....	\$ 4,440.54
Increase of stores and other deferred charges.....	25,652.87
Decrease of accounts payable.....	24,557.83
	54,651.24

Net Difference .....	\$497,027.05
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#### FUNDS BALANCE SHEET

The data shown by this statement are in agreement with the records of the Controller and are presented in the classifications used in his annual report. The statement has been reconciled with corresponding fund accounts as maintained by the School Department and it is followed by a reconciliation of the totals which it develops with similar totals of the Proprietary Balance Sheet.

#### GENERAL

We observe that the general accounts of the School Department do not embrace records relating to expenses of cafeterias in schools or of activities of student bodies, and our examination has not embraced such records. We are informed that such accounts have been investigated by the accounting staff of the School Department up to December 31, 1938 and that written reports of such investigations have been filed covering operations of all but a few schools for the fiscal years up to June 30, 1938. For subsequent periods, investigations are stated to have been commenced and will be completed as soon as the services of the staff become available.

We express our appreciation of the cooperation extended to us by the accounting staff of the School Department and your office in connection with our examination.

We are, Sir,

Respectfully,

LESTER HERRICK AND HERRICK.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

PROPRIETARY BALANCE SHEET—JUNE 30, 1939

ASSETS

*Fixed Capital Properties:*

Land.....	\$ 9,953,588.51	
Improvements.....	32,227,460.51	
Construction in Progress.....	640,759.44	
Equipment.....	3,226,241.86	
Total Fixed Capital Properties.....		\$46,048,050.32

Note: Above accounts measure the capital invested in existing school service property without consideration of depreciation. Equipment replacements are accounted as current expenses.

*Cash:*

On deposit with Treasurer.....	4,729,495.27	
Current Funds.....	\$ 705,905.16	
Capital Funds.....	3,990,877.89	
Special and Trust Funds.....	32,712.22	
Revolving Funds.....	400.00	
Total Cash.....		4,729,895.27

*Accounts Receivable:*

Taxes Receivable.....	156,069.40	
Total.....	334,114.26	
Less Reserve against Unsecured Taxes.....	178,044.86	
Other Accounts Receivable.....	—	
Amounts Due.....	1,237.78	
Less—Collection Reserve.....	1,237.78	
Total Accounts Receivable.....		156,069.40

*Interfund Accounts:*

Department of Public Works.....	5,000.00	
Purchasing Department.....	100.54	
Due from Current to Capital Funds (see contra).....	159,793.35	
Total Interfund Accounts.....		164,893.89

*Deferred Charges:*

Stores.....	151,325.37	
Shop Work—Stores and Work in Progress.....	7,159.17	
Unexpired Insurance.....	11,921.30	
Bond Interest Accrued, not due.....	150,978.54	
Other Charges.....	61.99	
Total Deferred Charges.....		321,446.37
		<u>\$51,420,355.25</u>

LIABILITIES

*Bonded Debt:*

Due after 1939—Capital Account.....	\$12,368,000.00	
Matured Bond not presented—Current Account.....	1,000.00	
Total Bonded Debt.....		\$12,369,000.00

*Bond Interest:*

Due July 1, 1939.....	22,500.00	
Accrued, not due.....	150,978.54	
Matured Coupons not presented.....	15,470.00	
Total Bond Interest.....		188,948.54

*Accounts Payable:*

Contracts, Purchase Orders, etc.....	99,179.97	
Warrants Outstanding.....	255,359.86	
(Current Account.....	\$ 337,130.23)	
(Capital Account.....	17,409.60)	
Total Accounts Payable.....		354,539.83

*Interfund Accounts:*

Due to Capital from Current Funds (see contra).....	159,793.35	
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*Special and Trust Funds:*

School Teachers' Sabbatical Leave.....	19,012.03	
Sunshine School Equipment.....	35.46	
Teachers' Annuity Deposits.....	25.53	
School Teachers' Permanent (Retirement).....	13,639.20	
Total Special and Trust Funds.....		32,712.22
Available.....	19,145.33	
Warrants Outstanding (Net).....	13,566.89	

*Surplus (Details annexed)*

Current Surplus.....	502,049.35	
Capital Surplus.....	37,813,311.96	
Total Surplus.....		38,315,361.31

\$51,420,355.25

Notes: Items of Fixed Capital Properties, Bonded Debt, Bond Interest and the related deposits with the Treasurer are not reflected by the accounts of the School Department but are based on the records of the Controller. See text for condensed restatement segregated as to Current, Capital and Special and Trust Accounts.



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

STATEMENT OF SURPLUS ACCOUNTS

For the Fiscal Year Ended June 30, 1939

CURRENT SURPLUS

Balance, July 1, 1938.....		\$ 2,005,940.32
Less:		
Excess of Expenditures 1938/9.....	\$ 81,887.16	
Capital outlays from revenues \$ 202,000.29		
Less operating net revenues.....	120,113.13	
Transfer to Capital Surplus.....	1,422,003.81	
Total Reduction.....		1,503,890.97
Balance, June 30, 1939.....		502,049.35
Made up of the following balances of unappropriated funds and reserves as shown by the accounts of the School Department:		
Unappropriated Balances.....	143,000.59	
Reserves for:		
Purchase Orders and Other Encumbrances....	97,228.15	
Total.....	196,408.12	
Less Completed.....	99,179.97	
Stores and Other Working Assets.....	170,467.83	
Capital Outlays.....	64,680.00	
Adjustments.....	\$ 26,672.78	\$ 502,049.35

CAPITAL SURPLUS

Balance, July 1, 1938.....		\$34,027,485.50
Additions:		
Transfers from Current Surplus.....	\$ 1,422,003.81	
General Account.....	\$1,409,238.74	
P. W. A. Account.....	12,765.07	
Federal P. W. A. Grants.....	1,361,441.95	
Bonded Debt retired out of General Revenues	775,000.00	
Total Debt Retirement.....	1,363,000.00	
Less provided out of revenues prior to July 1, 1938.....	588,000.00	
Trsfr. from Bond Interest & Redemption Funds	10,241.69	
Premium on Bonds Sold.....	127.55	
Capital Outlays provided out of revenues.....	202,000.29	
Adjustments of Fixed Capital Property values by Controller.....	15,011.17	
Total Additions.....		3,785,826.46
Balance, June 30, 1939.....		37,813,311.96
Made up of the following accounts:		
Available Fund Balances:		
School Bonds of 1934.....	99.80	
School Bonds of 1938.....	403,127.55	
P. W. A. Docket No. 1578.....	3,730,034.29	
Total Available Funds.....	4,133,261.64	
Fixed Capital Properties Valuation in excess of Bonded Debt not due of \$12,368,000.00.....	\$33,680,050.32	\$37,813,311.96

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)  
STATEMENT OF REVENUES AND EXPENDITURES  
For the Fiscal Years Ended June 30, 1939 and 1938

REVENUES	Fiscal Years ended June 30	
	1939	1938
<i>Property Taxes and Penalties</i> .....	\$ 5,168,254.47	\$ 5,655,861.75
<i>Revenues Received Through State of California:</i>		
Elementary Schools.....	2,406,111.39	2,504,015.25
High Schools.....	2,215,139.06	2,132,802.14
	<u>4,621,250.45</u>	<u>4,636,817.39</u>
<i>Other Revenues:</i>		
Apportionment of Federal Aid to High Schools	35,392.16	16,534.32
Tuition from other Counties.....	78,886.40	64,476.00
Rentals .....	103,905.77	104,124.77
Other Receipts.....	1,330.46	436.12
	<u>219,514.79</u>	<u>185,571.21</u>
Total Revenues.....	<u>\$10,009,019.71</u>	<u>\$10,478,250.35</u>
 EXPENDITURES		
<i>Operating Expenditures:</i>		
Administration .....	\$ 304,292.28	\$ 298,096.65
Instruction—Salaries .....	7,424,033.45	7,334,533.18
Instruction—Supplies .....	303,317.70	282,383.39
Coordinate Activities.....	32,775.63	33,460.20
Auxiliary Agencies .....	42,197.52	41,954.19
Operation.....	791,495.04	782,760.38
Fixed Charges.....	559,587.39	530,192.00
Maintenance .....	431,207.57	396,897.86
Fire Damage Repairs and Replacements.....	.....	724.42
Total Operating Expenditures.....	<u>\$ 9,888,906.58</u>	<u>\$ 9,701,002.27</u>
NET REVENUES .....	<u>120,113.13</u>	<u>777,248.08</u>
<i>Capital Outlay:</i>		
Total Expenditures .....	\$ 888,895.40	\$ 468,113.09
Less		
Sales of Lands and Buildings.....	72,000.00	39,400.00
Expenditures from Other Funds:		
P. W. A. Docket No. 1578 .....	614,045.45	.....
P. W. A. Fund .....	774.90	41,190.70
School House Bond 1934.....	74.76	117,702.43
Sunshine School Equipment Trust.....	.....	300.69
Total Deductions .....	<u>686,895.11</u>	<u>198,593.82</u>
Balance, Capital Outlay from Revenues.....	<u>202,000.29</u>	<u>269,519.27</u>
<i>Balance:</i>		
Revenue Surplus for year.....		507,728.81
Excess of Expenditures over Revenue, provided from Unexpended Revenue at beginning of year .....	<u>\$ 81,887.16</u>	

Note: The above statement does not reflect tax revenues applicable to bond interest and redemption purposes or the expenditures therefrom.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

ANALYSIS OF EXPENDITURES

For the Fiscal Years Ended June 30, 1939 and 1938

	Fiscal Years ended June 30,	
	1939	1938
<i>Administration:</i>		
Salaries.....	\$ 256,899.15	\$ 256,469.29
Supplies .....	14,732.80	11,840.17
Traveling and Auto Allowances.....	3,447.42	3,575.06
Cartage .....	13,283.49	13,609.50
Other Expenses .....	15,929.42	12,602.63
	<u>\$ 304,292.28</u>	<u>\$ 298,096.65</u>

*Instruction—Salaries:*

Supervision .....	\$ 88,052.75	\$ 88,830.05
Kindergarten .....	190,820.84	185,152.20
Elementary Day.....	2,997,878.01	2,983,972.98
Special Schools.....	122,273.89	112,850.25
Junior High.....	1,166,680.42	1,131,866.36
High Day .....	2,165,353.07	2,102,282.26
High Evening .....	234,603.02	209,553.40
Junior College.....	302,261.02	274,309.68
Continuation .....	120,302.86	122,637.16
Adult .....	35,807.57	29,003.39
Special .....	(See Note)	94,075.45
	<u>\$ 7,424,033.45</u>	<u>\$ 7,334,533.18</u>

*Instruction—Supplies, etc.:*

Kindergarten Supplies .....	\$ 2,834.76	\$ 2,793.41
Educational Supplies .....	165,405.13	158,323.46
Books .....	91,303.76	92,919.85
Principal's Office .....	6,629.36	5,154.87
Supervision Expense.....	4,310.89	3,432.40
Other Expenses.....	32,833.80	19,759.40
	<u>\$ 303,317.70</u>	<u>\$ 282,383.39</u>

*Coordinate Activities:*

Compulsory Education .....	\$ 32,775.63	\$ 33,460.20
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*Auxiliary Agencies:*

Transportation of Pupils.....	\$ 29,796.98	\$ 26,574.49
Tuition paid other Counties.....	2,724.60	7,229.54
Community Centers.....	2,100.27	1,754.27
Other Auxiliary Agencies.....	7,575.67	6,395.89
	<u>\$ 42,197.52</u>	<u>\$ 41,954.19</u>

Fd.

\$ 8,106,616.58    \$ 7,990,427.61

Note: Special Salaries for year ended June 30, 1939 were apportioned to various schools where special instruction was given.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

ANALYSIS OF EXPENDITURES (Continued)

For the Fiscal Years Ended June 30, 1939 and 1938

Brt. Fd.	Fiscal Years ended June 30,	
	1939	1938
	<u>\$ 8,106,616.58</u>	<u>\$ 7,990,427.61</u>
<i>Operation:</i>		
Janitors' and Engineers' Salaries.....	\$ 555,063.56	\$ 552,341.59
Janitors' and Engineers' Supplies.....	37,735.25	38,168.96
Gas and Electricity.....	67,095.51	66,795.88
Fuel .....	56,577.58	55,281.73
Water .....	40,606.51	38,952.47
Other Expenses.....	34,416.63	31,219.75
	<u>\$ 791,495.04</u>	<u>\$ 782,760.38</u>
<i>Fixed Charges:</i>		
Contributions to Retirement System—City.....	\$ 498,558.09	\$ 457,175.46
Contributions to Retirement System—State....	36,047.00	35,442.00
Insurance .....	18,292.63	28,151.65
Rents .....	7,664.96	5,467.00
Workmen's Compensation & Accident Claims	14,227.45	9,155.84
Teachers' Back Salary Adjustments.....	1,048.77	* 1,245.40
Other Expenses (See Note).....	* 16,251.51	* 3,954.55
	<u>\$ 559,587.39</u>	<u>\$ 530,192.00</u>
* Deductions		
<i>Maintenance:</i>		
Repairs to Buildings and Grounds.....	\$ 304,612.30	\$ 280,480.53
Repairs to Janitors' Equipment.....	57,039.64	52,496.73
Repairs to Educational Equipment.....	67,155.96	61,520.93
Other Maintenance .....	2,399.67	2,399.67
	<u>\$ 431,207.57</u>	<u>\$ 396,897.86</u>
<i>Fire Damage—Repairs and Replacements.....</i>	<u>.....</u>	<u>\$ 724.42</u>
<i>Total Operating Expenditures.....</i>	<u>\$ 9,888,906.58</u>	<u>\$ 9,701,002.27</u>
<i>Capital Outlays:</i>		
Purchase of Land.....	\$ 130,877.36	\$ 43,675.84
New Building Construction, etc.....	648,148.02	212,779.89
New Building Equipment.....	21,072.66	92,529.07
Old Building Additions and Betterments.....	15,518.27	12,814.57
Old Building Equipment (New).....	73,279.09	106,313.72
	<u>\$ 888,895.40</u>	<u>\$ 468,113.09</u>
<i>Grand Total Expenditures.....</i>	<u>\$10,777,801.98</u>	<u>\$10,169,115.36</u>

Note: For year ended June 30, 1939, there is included a credit of \$21,854.19 for reduction of insurance rate on policies in force for a period of 5 years ending June 30, 1943.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)  
FUNDS BALANCE SHEET—JUNE 30, 1939

ASSETS							LIABILITIES AND SURPLUS								
Available Cash	Other Cash	Accounts Receivable	Federal Grants	Unsold Bonds	Interfund Accounts	Totals	Name of Fund	Totals	Accounts Payable	Special and Trust Funds	Interfund Accounts	Unappro- priated Balances	Unencumbered Appropriations	Reserves	
CURRENT FUNDS															
\$ 519,517.58	\$400.00	\$156,069.40	.....	.....	\$ 5,000.00	\$ 680,986.98	San Francisco Unified School District.....	\$ 680,986.98	\$ 165,499.89	.....	\$281,665.28	\$142,469.03	\$ 26,261.24	\$ 65,091.54	
CAPITAL FUNDS															
99.80	.....	.....	.....	.....	.....	99.80	1934 Schoolhouse Bonds.....	99.80	.....	.....	.....	.....	99.80	.....	
624.77	.....	.....	.....	\$857,000.00	402,502.78	1,260,127.55	1938 Schoolhouse Bonds.....	1,260,127.55	.....	.....	.....	403,000.00	.....	857,127.55	
3,972,743.72	.....	.....	\$1,021,928.61	.....	159,793.35	5,154,465.68	P. W. A. Docket No. 1578—Schools.....	5,154,465.68	2,143,502.14	.....	402,502.78	.....	2,608,460.76	.....	
\$3,973,468.29	.....	.....	\$1,021,928.61	\$857,000.00	\$562,296.13	\$6,414,693.03		\$6,414,693.03	\$2,143,502.14	.....	\$402,502.78	\$403,000.00	\$2,608,560.56	\$857,127.55	
SPECIAL AND TRUST FUNDS															
\$ 19,012.03	.....	.....	.....	.....	.....	19,012.03	School Teachers' Sabbatical Leave.....	\$ 19,012.03	.....	\$19,012.03	.....	.....	.....	.....	
6,468.00	.....	.....	.....	.....	.....	6,468.00	School Teachers' Permanent Fund.....	6,468.00	.....	6,468.00	.....	.....	.....	.....	
35.46	.....	.....	.....	.....	.....	35.46	Sunshine School Equipment.....	35.46	.....	35.46	.....	.....	.....	.....	
16.09	.....	.....	.....	.....	.....	16.09	School Teachers Annuity Deposit.....	16.09	.....	16.09	.....	.....	.....	.....	
\$ 25,531.58	.....	.....	.....	.....	.....	\$ 25,531.58		\$ 25,531.58	.....	\$25,531.58	.....	.....	.....	.....	
\$4,518,517.45	\$400.00	\$156,069.40	\$1,021,928.61	\$857,000.00	\$567,296.13	\$7,121,211.59	Grand Totals.....	\$7,121,211.59	\$2,309,002.03	\$25,531.58	\$684,168.06	\$545,469.03	\$2,634,821.80	\$922,219.09	
													Other Cash.....	\$ 400.00	
													Capital Outlays.....	64,680.00	
													Warrants Cancelled .....	11.54	
													Unsold Bonds.....	857,000.00	
													Bond Premium .....	127.55	\$922,219.09

Note: The above statement is based upon the report of the City Controller and has been reconciled with the related records of the School Department. See following page for reconciliation with Proprietary Balance Sheet.



[illegible]



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)  
STATEMENT OF RECONCILEMENT OF  
PROPRIETARY BALANCE SHEET WITH FUNDS BALANCE SHEET

	ASSETS							LIABILITIES				
	Fixed Capital Properties	Cash	Accounts Receivable	Interfund Accounts	Deferred Charges	Unsold Bonds	Federal Grants	Bonded Debt	Matured Bonds, Bond Interest and Accounts Payable	Special and Trust Funds	Interfund Accounts	Surplus and Reserves
Proprietary Balances.....	\$46,048,050.32	\$4,729,895.27	\$156,069.40	\$164,893.89	\$321,446.37	.....	.....	\$12,369,000.00	\$ 543,488.37	\$32,712.22	\$159,793.35	\$38,315,361.31
<i>Add:</i>												
Sundry disbursements not entered by Controller until July 1939:												
Retirement Fund .....		\$ 43,706.78	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$ 43,706.78
Other Accounts .....		53,382.55	.....	.....	.....	.....	.....	.....	.....	\$ 6,386.25	.....	.....
Due to 1938 School Bond .....		.....	.....	\$402,502.78	.....	.....	.....	.....	.....	.....	\$402,502.78	.....
Unsold Bonds .....		.....	.....	.....	.....	\$857,000.00	.....	.....	.....	.....	.....	857,000.00
Federal Grants .....		.....	.....	.....	.....	.....	\$1,021,928.61	.....	.....	.....	.....	1,021,928.61
Contracts, Purchase Orders, etc.:												
Total .....	\$2,309,002.03	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Matured .....	99,179.97	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net .....	\$2,209,822.06	.....	.....	.....	.....	.....	.....	.....	\$2,209,822.06	.....	.....	.....
Retirement Contributions .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	69,013.83	.....
Commitments to other City Depart- ments for Work Orders, etc. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	52,858.10	.....
Total Additions .....	\$ 97,089.33	.....	.....	\$402,502.78	.....	\$857,000.00	\$1,021,928.61	.....	\$2,209,822.06	\$ 6,386.25	\$524,374.71	\$ 1,922,635.39
Grand Total .....	\$46,048,050.32	\$4,826,984.60	\$156,069.40	\$567,396.67	\$321,446.37	\$857,000.00	\$1,021,928.61	\$12,369,000.00	\$2,753,310.43	\$39,098.47	\$684,168.06	\$40,237,996.70
<i>Deduct:</i>												
Fixed Capital .....	\$46,048,050.32	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	\$33,680,050.32
Bonded Debt .....	.....	.....	.....	.....	.....	.....	.....	\$12,368,000.00	.....	.....	.....	.....
Matured Bond not paid .....	\$ 1,000.00	.....	.....	.....	.....	.....	.....	1,000.00	.....	.....	.....	.....
Bond Interest due and unpaid .....	37,970.00	.....	.....	.....	.....	.....	.....	.....	\$ 37,970.00	.....	.....	.....
Bond Interest accrued not due .....	.....	.....	.....	.....	\$150,978.54	.....	.....	.....	150,978.54	.....	.....	.....
Warrants Outstanding .....	268,926.75	.....	.....	.....	.....	.....	.....	.....	255,359.86	\$13,566.89	.....	.....
Due from Purchasing Department .....	.....	.....	\$ 100.54	.....	.....	.....	.....	.....	.....	.....	.....	.....
Stores and Shop Work .....	.....	.....	.....	.....	158,484.54	.....	.....	.....	.....	.....	.....	158,484.54
Unexpired Insurance .....	.....	.....	.....	.....	11,921.30	.....	.....	.....	.....	.....	.....	11,921.30
Other Deferred Charges .....	.....	.....	.....	.....	61.99	.....	.....	.....	.....	.....	.....	61.99
Deposits not entered until July, 1939	170.40	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Contracts, Purchase Orders, etc. (as above) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2,209,822.06
Retirement Contributions .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	69,013.83
Due to other City Departments for Lighting, etc. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	6,132.74
Total Deductions .....	\$46,048,050.32	\$ 308,067.15	.....	\$ 100.54	\$321,446.37	.....	.....	\$12,369,000.00	\$ 444,308.40	\$13,566.89	.....	\$36,135,486.78
Fund Balances .....	.....	\$4,518,917.45	\$156,069.40	\$567,296.13	.....	\$857,000.00	\$1,021,928.61	.....	\$2,309,002.03	\$25,531.58	\$684,168.06	\$ 4,102,509.92
Unappropriated Balances .....										\$ 545,469.03		
Unencumbered Appropriations .....										2,634,821.80		
Reserves .....										922,219.09	\$ 4,102,509.92	



*Report on Examination of Accounts*

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

FOR THE FISCAL YEAR ENDED JUNE 30, 1939

(Wherever italics appear in this Report, they indicate red figures.)

**F. W. LAFRENTZ & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**MILLS BUILDING**  
**SAN FRANCISCO, CALIFORNIA**

September 29, 1939.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the San Francisco City and County Employees' Retirement System for the fiscal year ended June 30, 1939, and submit herewith our report together with the following exhibits and schedule:

Exhibit "A"—Balance Sheet as at June 30, 1939;

Exhibit "B"—Statement of Revenues and Expenditures for the  
 fiscal year ended June 30, 1939;

Schedule No. 1—Investment Bonds.

#### SCOPE OF THE EXAMINATION

Our examination was limited to a verification of the asset and liability accounts as at June 30, 1939, and a test check of the revenues and expenditures for the year. In connection therewith we examined or tested the accounting records and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, but we did not make a detailed audit.

The expert to the Grand Jury participated in the examination.

#### BALANCE SHEET COMMENTS

*Cash on Deposit with Treasurer*—\$214,623.90:

The accounting staff of the Controller's office verified the cash on deposit with the Treasurer at June 30, 1939. The report on this verification was inspected by us, and we ascertained that reconciliation with the balance as reflected in the records of the Retirement System was established.

*Accrued Interest on Investment Bonds*—\$377,302.47:

The accrued interest on investment bonds at June 30, 1939, is represented by this amount. The computation of the accrued interest was verified by us.

*Investment Bonds*—\$23,860.986.25:

A summary analysis of the investment bonds in the Retirement Fund is set forth in Schedule No. 1 of this report.

The various securities indicated are held in the joint custody of the Controller and Treasurer and were verified by actual inspection or were otherwise accounted for. The interest collections from the coupons which matured during the period were also verified by us.

All the investment bonds in the Retirement Fund are of the character legal for insurance companies in California in accordance with the provisions of Section 159 of the Charter. None of the securities were in default as to principal or interest at June 30, 1939.

As the securities were purchased for investment we have not attempted to determine their market values.

Our audit included a comprehensive test check of the amortization of bond premium or discount as indicated on the individual bond record cards. We also tested the accumulation of the net amortization for the year as reflected in the security list of the Retirement Fund.

The changes in the investment bonds during the year are summarized as follows:

	Total	Government, State, Municipal and Other Political Subdivisions	Railroad	Other Public Utilities
Balance, July 1, 1938, (book value).....	\$21,635,892.28	\$20,190,871.25	\$646,079.11	\$798,941.92
Add: Purchases .....	2,513,792.15	2,504,319.65	.....	9,472.50
Total .....	<u>\$24,149,684.43</u>	<u>\$22,695,190.90</u>	<u>\$646,079.11</u>	<u>\$808,414.42</u>
Deduct:				
Bonds matured.....	\$ 212,537.50	\$ 160,537.50	\$ 52,000.00	.....
Amortization (net) ..	76,160.68	74,754.47	389.22	\$ 1,795.43
Total deductions ..	<u>\$ 288,698.18</u>	<u>\$ 235,291.97</u>	<u>\$ 51,610.78</u>	<u>\$ 1,795.43</u>

Balance, June 30, 1939, (book value).....	\$23,860,986.25	\$22,459,898.93	\$594,468.33	<u>\$806,618.99</u>
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*Accounts Receivable—City and County of San Francisco—\$4,775,479.41:*

The composition of this amount is as follows:

Amounts computed in accordance with Sections 166 and 169 of the Charter:

Current service:			
Firemen .....			\$3,933,148.54
Policemen .....			1,006,383.49
Total .....			<u>\$4,939,532.03</u>
Less:			
Appropriation credits .....	\$684,586.83		
Taxes receivable allocated to the Retirement System, net.....	49,825.91		734,412.74
Remainder .....			<u>\$4,205,119.29</u>
Police \$2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932.....			422,358.76
Total .....			<u>\$4,627,478.05</u>
Employees' contributions in course of collection.....			32,641.07
City's matching contributions current service.....			92,484.54
Prior service retirement allowances.....			20,352.83
Compensation insurance disbursements.....			3,466.29
Total .....			<u>\$4,776,422.78</u>
Less: Balance of 1938-1939 appropriations carried forward to cover sick leave, study and equipment purchase.....			943.37
Total .....			<u><u>\$4,775,479.41</u></u>

Comments are made on certain of the items indicated above as follows:

*Current Service—\$4,205,119.29:*

In accordance with the provisions of the Charter cited hereafter, this amount represents the balance which would be required on June 30, 1939, from the City and County to establish an actuarial reserve equivalent to the liabilities accruing under the Retirement System on account of service rendered by policemen and firemen who became members on January 8, 1932. The Sections of the Charter referred to are as follows:

*Section 166, Subdivision (f)—Police Department Members*

"In addition to the other contributions required by the City and County under the Retirement System, the City and County shall contribute to the Retirement System during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the Retirement System because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the City and County, together with the members' contributions, was not sufficient to meet such liability, then the City and County shall make such additional contribution as may be necessary to make up the deficit."

*Section 169, Subdivision (d)—Members of Fire Department*

"In addition to the other contributions required of the City and County under the Retirement System, the City and County shall contribute to the Retirement System during each fiscal year a sum which shall be equal to the liabilities accruing under the Retirement System because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the City and County was not sufficient to meet such liability, then the City and County shall make such additional contribution as may be necessary to make up the deficit."

In order to compute the contributions referred to in the above Sections, the Retirement Board established a rate of 6.36 per cent on salaries earned by policemen, and 19.16 per cent on salaries earned by firemen who did not exercise the option granted by the Charter of becoming miscellaneous members as specified in Sub-Sections 166(h) and 169(f) respectively.

The Retirement Board on June 7, 1938, as the result of a special actuarial investigation made by Mr. Ralph R. Nelson, Secretary-Actuary, pursuant to Section 11(b) of Ordinance 4.073 authorized a reduction from 4 per cent to 3½ per cent in the rate of interest credited to member contributions from July 1, 1938. This change would modify slightly the percentages stated above in computing City and County contributions for firemen and policemen. We were advised that these modified contribution rates would go into effect from July 1, 1939.

It has been the policy of the City and County administration to provide funds annually to meet the estimated disbursements for pensions and death benefits payable to policemen and firemen, rather than to establish reserves to meet the obligations of future years on account of current service. Funds allocated by the Controller from tax collections have been applied by the Retirement System first to cover retirement disbursements and matching contributions of the members in the miscellaneous classification, and the remainder has then been applied to the contributions required from the City and County under Sections 166(f) and 169(d) of the Charter. In the tabulation above under the caption of "Appropriation Credits" is indicated an amount of \$684,586.83 as the remainder so applied up to June 30, 1939.



*Police \$2.00 Contributions Paid to the Police Relief and Pension Fund Prior to January 8, 1932—\$422,358.76:*

On January 8, 1932, the members of the Police Relief and Pension Fund became members of the Retirement System. The amount indicated above represents contributions of \$2.00 per month paid to the predecessor pension fund prior to January 8, 1932, by those employees who were members of the Police Department at that time and who were still in the department at June 30, 1939.

Interest on this account at the rate of 3½ per cent per annum has been collected for the period under review. Prior to July 1, 1938, the rate of interest collected was 4 per cent.

*Employees' Contributions in Course of Collection—\$32,641.07:*

This amount represents deductions made from salary warrants for the second half of June, 1939, to cover employees' contributions. Liquidation of these receivables was completed during the course of our examination.

*City's Matching Contributions—Current Service—\$92,484.54:*

This item covers the following matching contributions of the City and County which were due on June 30, 1939:

Municipal Railway .....	\$15,883.93
Water Department .....	6,951.40
Hetch Hetchy Power Division .....	266.81
General City and County .....	69,382.40
<b>Total .....</b>	<b>\$92,484.54</b>

*Prior Service Retirement Allowances—\$20,352.83:*

This amount represents disbursements made on account of retirement allowances granted for prior service and which, in accordance with Section 43 of Ordinance 4.073, will be reimbursed by the City and County.

Reimbursement will be made from the following funds:

San Francisco School Department .....	\$ 2,916.67
Municipal Railway .....	17,436.16
<b>Total .....</b>	<b>\$20,352.83</b>

*Compensation Insurance Disbursements—\$3,466.29:*

Included herein are compensation disbursements payable out of other than general fund appropriations. The amounts were received by the System prior to the conclusion of our audit.

*Taxes Receivable—\$87,887.86:*

*Less: Allowance for Uncollectible Accounts—\$38,061.95*

The Controller's accounts reflect an allocation to the Retirement System of \$87,887.86 of delinquent taxes and penalties, and the provision for uncollectible personal property taxes.

*Undistributed Portion of Amounts Previously Applied to Provide Retirement Allowances for Current Service to be Disbursed Monthly—\$4,143,452.82:*

The above amount is made up as follows:

<b>Service retirements, current service:</b>			
Miscellaneous members .....	\$2,122,002.93		
Firemen .....	392,546.73		
Policemen .....	232,439.46	\$2,746,989.12	
<b>Disability retirements, current service:</b>			
Miscellaneous members .....	\$ 390,688.26		
Firemen .....	201,900.45		
Policemen .....	197,331.84	789,920.55	
<b>Death allowances:</b>			
Firemen .....	\$ 297,875.78		
Policemen .....	308,667.37	606,543.15	
<b>Total .....</b>			<b>\$4,143,452.82</b>

With the exception of "Disability retirements, current service," referred to specifically hereafter, the above amounts represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of the members increased by annual interest accretions on the undistributed portion to June 30, 1939, and decreased by the monthly allowances paid up to that date. The amount does not include the liability to retired members for prior service as this portion of the monthly allowance is reimbursed to the System annually by the City and County.

An extensive test check was made during the year under review of recorded service and disability retirements and death allowances granted and approved by the Retirement Board. The aggregate of the undistributed balances as reflected in the retired members' individual accounts was in agreement with the various general ledger controls.

*Disability Retirements, Current Service—\$789,920.55:*

The composition of this amount is as follows:

	Miscellaneous Members	Firemen	Policemen
Present value at June 30, 1939, of the disability retirement allowances granted, ascertained by calculations based on future payments to be made	\$196,784.75	.....	\$ 36,562.57
Undistributed portion as of June 30, 1939, of the total value of retirement allowances as determined at date of retirement .....	193,903.51	\$201,900.45	160,769.27
Total.....	<u>\$390,688.26</u>	<u>\$201,900.45</u>	<u>\$197,331.84</u>

*Members' Accumulated Contributions—\$10,631,905.03:*

This represents contributions by members of the Retirement System, classified as follows:

Normal contributions, miscellaneous members.....	\$ 9,751,046.02
Policemen \$2.00 contributions.....	712,462.26
Additional contributions.....	168,396.75
Total .....	<u>\$10,631,905.03</u>

Agreement was established between the aggregate of the balances reflected in the members' ledger cards and the general ledger controlling accounts. A comprehensive test check was made in connection with the entries and computations recorded in the individual members' accounts for the year.

The three items indicated above are commented on as follows:

*Normal Contributions, Miscellaneous Members—\$9,751,046.02:*

Included herein are the normal contributions of the miscellaneous members based on the various rates as determined in accordance with the provisions of Ordinance 4.073, and improved by interest accretions each year. The rate of interest was reduced on July 1, 1938, from 4 per cent to 3½ per cent per annum in accordance with a resolution adopted by the Retirement Board on June 7, 1938.

*Policemen \$2.00 Contributions—\$712,462.26:*

On January 8, 1932, members of the Police Relief and Pension Fund became members of the San Francisco City and County Employees' Retirement System. Members of the former have been given options of continuing under the same general prior plan and paying in \$2.00 each month, or of becoming members on the same conditions as persons entering the Department after January 8, 1932. The amount above represents the contributions of policemen still in the service, who have not elected to become members under the latter

classification. Interest has been added to contributions annually. During the year under review the rate used was  $3\frac{1}{2}$  per cent per annum.

*Additional Contributions*—\$168,396.75:

Members are permitted under Section 164 of the Charter to make contributions in addition to the regular contributions required. Interest is added to these balances at the same rate as determined for normal contributions, but the City and County does not match these voluntary contributions by the members.

*City and County Accumulated Contributions—Current Service*—\$12,777,250.20:

Under this caption are included the following accumulated contributions of the City and County:

Matching contributions—miscellaneous members.....	\$ 9,751,046.02
Firemen.....	2,707,985.00
Policemen.....	318,219.18
Total.....	<u>\$12,777,250.20</u>

The above items are commented on as follows:

*Matching Contributions—Miscellaneous Members*—\$9,751,046.02:

In accordance with Section 164 of the Charter, the City and County shall contribute an amount equal to the normal contributions of the members. This account represents the accumulated contributions of the City and County pursuant to this Section.

*Firemen*—\$2,707,985.00:

*Policemen*—\$318,219.18:

The above items represent the accumulated contributions of the City and County for firemen and policemen still in service, and who become members of the Retirement System on January 8, 1932, but who did not exercise the option as granted by the Charter of becoming miscellaneous members. As already referred to, these contributions are computed on the basis of 19.16 per cent of salaries earned by firemen, and 6.36 per cent of salaries earned by policemen.

*City and County Accumulated Contributions—Other*—\$1,105,176.22:

The composition of this amount is as follows:

City and County matching contributions released by withdrawal of members from City and County employment, held as a reserve to meet the obligations of the City and County on account of benefits granted and prior service of members:

General City and County.....	\$1,122,746.62
Municipal Railway.....	165,426.94
Water Department.....	29,044.43
Hetch Hetchy Power Division.....	15,231.69
Total.....	<u>\$1,332,449.68</u>

Deduct:

Excess of death benefits paid to deceased members over released matching contributions.....	\$ 158,581.34	
Excess of present value of disability retirement allowances for current service as calculated at June 30, 1939, over residue of City and County contributions transferred at time of retirement	68,692.12	227,273.46
Remainder.....	<u>                    </u>	<u>\$1,105,176.22</u>

*Reserve for Interest and Investment Fluctuations—\$619,640.17:*

This account represents the excess of the interest earned on investments and accounts receivable and profit on bonds called, over the interest credited on members' and City and County contributions, and on undistributed portions of retirement allowances. The rate of interest was reduced from 4 per cent to 3½ per cent from July 1, 1938, as explained elsewhere.

Included in this account are small adjustments in the general ledger controlling accounts, in order to bring them into agreement with the aggregate of the members accumulated contributions as reflected in the individual accounts.

The changes in the account during the year are as follows:

Balance, July 1, 1938.....		\$ 501,015.28
Add: Interest earned:		
Investments.....	\$899,036.34	
Accounts receivable.....	163,127.73	1,062,164.07
Total.....		<u>\$1,563,179.35</u>
Deduct:		
Interest credited to members and the City and		
County on their contributions and on undis-		
tributed portions of retirement allowances.....	\$943,497.62	
Adjustment of contribution controls—net.....	41.56	943,539.18
Balance, June 30, 1939.....		<u>\$ 619,640.17</u>

## COMPENSATION INSURANCE

At June 30, 1939, all departments of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions being administered by the Retirement System. Section 172 of the Charter covering compensation insurance reads in part as follows:

"The benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to or on account of officers and employees, including teachers of the City and County, shall be administered exclusively by the Retirement Board, provided that the Retirement Board shall determine whether the City and County, through the Retirement System, shall assume the risks under the said law, in whole or in part, or whether it shall reinsure such risks, in whole or in part, with the State Compensation Insurance Fund. Benefits under such risks as may be assumed by the City and County, and premiums under such risks as may be reinsured shall be paid by the Retirement System, and an amount equal to the total of such benefits and premiums, as determined by the Actuary for any fiscal year, including the deficit brought forward from previous years, shall be paid during such fiscal year to the Retirement System by the City and County."

All disbursements made by the Retirement System during the year under review on account of compensation expenditures were repaid by the City and County with the exception of the amount of \$3,466.29 which is included on the balance sheet under the accounts receivable due from the City and County. The above quoted section of the Charter provides that the liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year. However, the payments received have only reimbursed the Retirement System for actual disbursements.

Respectfully submitted.

F. W. LAFRENTZ & CO.,

Certified Public Accountants.

## EXHIBIT "A"

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM*Balance Sheet—As at June 30, 1939*

## ASSETS

CASH ON DEPOSIT WITH TREASURER.....	\$	214,623.90
ACCRUED INTEREST ON INVESTMENT BONDS.....		377,302.47
INVESTMENT BONDS—Schedule No. 1.....		23,860,986.25
ACCOUNTS RECEIVABLE—CITY AND COUNTY OF SAN FRANCISCO.....		4,775,479.41
TAXES RECEIVABLE.....	\$87,887.86	
LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS .....	38,061.95	49,825.91
TOTAL.....		<u>\$29,278,217.94</u>

## LIABILITIES

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY	\$	4,143,452.82
MEMBERS' ACCUMULATED CONTRIBUTIONS.....		10,631,905.03
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS— CURRENT SERVICE.....		12,777,250.20
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS— OTHER .....		1,105,176.22
ACCOUNTS PAYABLE.....		793.50
RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS .....		619,640.17
TOTAL.....		<u>\$29,278,217.94</u>

NOTES: The above balance sheet does not include the liability to retired members, or to active members of the Retirement System for retirement allowances granted or to be granted on account of prior service—that is service in City and County employment before becoming members of the Retirement System.

Compensation awards and claims pending as of June 30, 1939, were estimated by the Retirement System to be \$131,862.16, and are not included with the liabilities on the above balance sheet. Of this amount \$58,820.54 is estimated to be payable during the fiscal year ending June 30, 1940. Benefits and other expenditures paid by the Retirement System on account of these claims will be reimbursed by the City and County.

## EXHIBIT "B"

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM*Statement of Revenues and Expenditures—For the Fiscal Year  
Ended June 30, 1939**Revenues:*

## Members' Contributions:

Normal contributions, miscellaneous members..	\$960,745.99	
Redeposited normal contributions, miscellaneous members .....	3,624.93	
Members' additional contributions.....	33,789.07	
Police \$2.00 contributions.....	<u>8,070.19</u>	\$1,006,230.18

City and County contributions to match contributions of miscellaneous members.....		960,745.99
--	--	------------

## Contributions by City and County to meet current service obligations:

Firemen.....	\$575,791.64	
Policemen .....	<u>72,430.58</u>	648,222.22

## Contributions by City and County to meet prior service obligations:

Miscellaneous.....	\$458,106.44	
Firemen.....	575,585.86	
Policemen .....	<u>314,420.48</u>	1,348,112.78

## Other contributions by the City and County:

Administrative expenses .....	\$ 45,962.98	
-------------------------------	--------------	--

## Compensation insurance costs:

Benefits .....	\$55,635.39	
Medical charges.....	<u>40,444.51</u>	
	\$96,079.90	

Less: Refund—legal expenses.....	<u>1,553.30</u>	<u>94,526.60</u>	140,489.58
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Income on investments.....			975,197.02
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Total (Forward).....			<u>\$5,078,997.77</u>
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## EXHIBIT "B" (Continued)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

*Statement of Revenues and Expenditures—For the Fiscal Year  
Ended June 30, 1939*

Revenues (Forwarded).....		\$5,078,997.77
Expenditures:		
Members' accumulated contributions withdrawn:		
Miscellaneous members:		
Normal contributions.....	\$104,533.23	
Additional contributions.....	4,945.55	\$109,478.78
Police \$2.00 contributions.....	546.48	110,025.26
Service retirement allowances:		
Miscellaneous members.....	\$631,687.61	
Firemen.....	415,342.99	
Policemen.....	90,627.25	1,137,657.85
Disability retirement allowances:		
Miscellaneous members.....	\$116,184.04	
Firemen.....	109,188.22	
Policemen.....	171,139.28	396,511.54
Death allowances:		
Firemen.....	\$118,396.66	
Policemen.....	86,949.99	205,346.65
Death benefits to members' beneficiaries:		
Miscellaneous members.....	\$216,725.25	
Firemen.....	2,551.82	
Policemen.....	16,089.01	235,366.08
Death benefits to retired members' beneficiaries:		
Miscellaneous members.....		56,311.50
Monthly installments to death claim beneficiaries.....		1,257.87
Police \$2.00 accumulated contributions due from City and County.....		18,217.62
Compensation costs:		
Benefits.....	\$ 55,635.39	
Medical charges.....	40,444.51	
	\$ 96,079.90	
Less: Refund—legal expenses.....	1,553.30	94,526.60
Administrative expenses.....		45,962.98
Amortization of investment bonds.....		76,160.68
Total.....		\$2,377,344.63
Net Revenues.....		\$2,701,653.14

SCHEDULE No. 1  
SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

*Investment Bonds—June 30, 1939*

Description	Par Value	Book Value June, 30, 1939
GOVERNMENT, STATE, MUNICIPAL, AND OTHER POLITICAL SUBDIVISIONS:		
United States Government .....	\$ 400,000.00	\$ 425,787.75
State of California.....	3,361,000.00	3,443,555.16
City and County of San Francisco.....	3,520,100.00	3,684,254.32
East Bay Municipal Utility District.....	1,668,000.00	1,835,891.23
City of New York.....	2,911,000.00	3,291,248.58
Golden Gate Bridge and Highway District.....	500,000.00	563,490.09
City of Los Angeles.....	2,173,000.00	2,524,966.01
Los Angeles County Flood Control District.....	1,203,000.00	1,436,406.86
Marin Municipal Water District.....	372,000.00	390,439.03
Metropolitan Water District of Southern California.....	1,491,000.00	1,651,343.14
City of Richmond .....	414,000.00	441,735.46
City of Sacramento.....	408,000.00	442,910.41
City of Stockton.....	377,600.00	408,924.70
Other California municipalities and school districts .....	1,833,262.50	1,918,946.19
Total.....	<u>\$20,631,962.50</u>	<u>\$22,459,898.93</u>
RAILROADS		
Atchison, Topeka and Santa Fe Railroad Com- pany .....	\$ 103,000.00	\$ 98,400.12
Southern Pacific Railroad Company.....	393,100.00	388,603.94
Union Pacific Railroad Company.....	105,000.00	107,464.27
Total.....	<u>\$ 601,100.00</u>	<u>\$ 594,468.33</u>
OTHER PUBLIC UTILITIES:		
California Water Service Company.....	\$ 28,000.00	\$ 28,878.94
San Joaquin Light and Power Company.....	409,000.00	446,301.77
Southern California Gas Company.....	37,000.00	35,869.62
Southern Counties Gas Company.....	312,500.00	295,568.66
Total.....	<u>\$ 786,500.00</u>	<u>\$ 806,618.99</u>
Total.....	<u>\$22,019,562.50</u>	<u>\$23,860,986.25</u>



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# Annual Report

of the

# Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1940





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# Annual Report

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For the Fiscal Year Ended June 30, 1940



THE RECORDER PRINTING AND PUBLISHING COMPANY  
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SAN FRANCISCO SCHOOL DEPARTMENT  
(A Unified School District)

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SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

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CITY AND COUNTY OF SAN FRANCISCO  
OFFICE OF CONTROLLER

November 1, 1940.

To His Honor the Mayor, and The Honorable the Board of Supervisors, City  
and County of San Francisco.

Gentlemen:

In conformance with the provisions of Section 65 of the Charter, the annual report of the Controller for the fiscal year ended June 30, 1940, is submitted herewith.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Lybrand, Ross Bros. and Montgomery by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of departments were made by the Controller's Audit Staff, with the exception of the following audits which were made pursuant to the provisions of Ordinance Number 9.0621 by the firms indicated:

Hetch Hetchy Water Supply and Power Project, by John F. Forbes & Company.

San Francisco Water Department, by Peat, Marwick, Mitchell & Company.

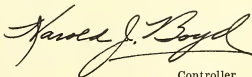
Municipal Railway, by Ernst & Ernst.

Retirement System, by F. W. Lafrentz & Company.

San Francisco School Department, by Haskins & Sells.

Attention is respectfully directed to comments incorporated in the two annual reports immediately preceding this one with respect to long-range fiscal planning. No particular purpose would be served by repeating those recommendations in this report, but I believe they are worthy of your current consideration.

Yours very truly,

A handwritten signature in dark ink, reading "Harold J. Boyd". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Controller.



## CITY AND COUNTY OF SAN FRANCISCO (a)

## ASSESSMENT ROLLS

Fiscal Years 1919-1920 to 1940-1941

Fiscal Year	Real Estate	Improvements	Tangible Personal Property	Less Veterans' Exemptions	Total Valuations Subject to City and County Rates	Solvent Credits (e)	Stocks and Bonds (d)	Total Non-Operative	Property Assessed by State Board of Equalization (c)	Operative Assessment Roll (b)	Total Assessment Roll	Tax Rate Per \$100. Valuation
1919-20	\$297,744,425	\$184,756,781	\$ 84,311,606	.....	\$566,812,812	.....	.....	\$ 566,812,812	.....	\$227,272,481	\$ 794,085,293	\$3.08
1920-21	298,146,865	188,853,890	98,013,313	.....	585,014,068	.....	.....	585,014,068	.....	233,059,934	818,074,002	3.18
1921-22	297,625,295	204,402,007	107,884,462	.....	609,911,764	.....	.....	609,911,764	.....	257,702,240	867,614,004	3.47
1922-23	296,998,570	212,462,451	105,854,076	.....	615,315,097	.....	.....	615,315,097	.....	240,946,158	856,261,255	3.47
1923-24	303,170,530	230,371,461	110,620,662	.....	644,162,653	.....	.....	644,162,653	.....	272,514,917	916,677,570	3.47
1924-25	309,976,590	252,747,908	121,375,422	.....	684,099,920	.....	.....	684,099,920	.....	305,218,982	989,318,902	3.47
1925-26	328,345,480	275,483,311	129,944,189	.....	733,772,980	.....	.....	733,772,980	.....	316,802,456	1,050,575,436	4.13
1926-27	338,373,870	296,410,808	121,844,239	.....	756,628,917	.....	.....	756,628,917	.....	225,914,698	982,543,615	3.66
1927-28	340,908,020	317,845,607	125,673,196	.....	784,426,823	.....	.....	784,426,823	.....	240,926,342	1,025,353,165	3.80
1928-29	347,893,591	337,140,412	121,997,487	.....	807,031,490	.....	.....	807,031,490	.....	248,483,381	1,055,514,871	3.96
1929-30	349,457,070	349,915,305	108,086,685	.....	807,459,060	\$106,171,728	\$282,798,274	1,196,439,062	.....	363,766,920	1,560,205,982	3.94
1930-31	346,787,760	348,341,335	106,640,980	.....	801,770,075	142,755,055	358,499,935	1,303,025,065	.....	405,228,682	1,708,253,747	4.04
1931-32	344,350,099	351,127,948	97,810,358	.....	793,288,405	154,238,456	255,679,223	1,203,206,084	.....	396,358,633	1,599,564,717	4.04
1932-33	341,570,705	353,513,845	95,209,061	.....	790,293,611	116,531,852	142,695,341	1,049,520,804	.....	383,950,344	1,433,471,148	3.96
1933-34	335,496,235	331,475,855	79,975,152	.....	746,947,242	115,555,468	111,851,888	974,354,598	.....	437,973,267	1,412,327,865	3.48
1934-35	333,115,690	329,544,221	76,793,422	.....	739,453,333	111,675,150	177,197,820	1,028,326,303	.....	337,776,080	1,366,102,383	3.863622
1935-36	324,713,626	328,199,331	75,512,159)	.....	.....	108,476,795	172,810,808)	1,009,712,719	.....	.....	.....	.....
	(c) 17,672,390	22,522,080	47,056,650)	.....	815,676,236	40,443,140	8,946,840)	.....	\$136,641,100	.....	1,146,353,819	3.681917
1936-37	325,377,202	334,889,674	74,053,287)	.....	.....	122,758,168	2,803,423)	853,709,371	.....	.....	.....	.....
	(c) 17,673,140	22,620,170	47,647,260)	\$6,172,383	816,088,350	38,772,180	.....	.....	126,712,750	.....	980,422,121	3.784
1937-38	324,562,756	336,291,966	79,036,646)	.....	.....	132,247,351	1,720,317)	867,496,806	.....	.....	.....	.....
	(c) 17,441,550	41,501,170	31,073,360)	6,362,230	823,545,218	35,886,580	.....	.....	125,902,660	.....	993,399,466	3.871
1938-39	322,417,683	341,878,215	78,005,290)	.....	.....	121,647,347	.....	857,404,611	.....	.....	.....	.....
	(c) 16,741,620	40,557,060	30,932,540)	6,543,924	823,988,484	26,265,410	.....	.....	114,496,630	.....	971,901,241	4.04
1939-40	322,469,139	343,216,155	74,871,973)	.....	.....	120,635,532	.....	854,415,450	.....	.....	.....	.....
	(c) 16,445,250	40,385,710	30,765,680)	6,777,349	821,376,558	42,077,030	.....	.....	129,673,670	.....	984,089,120	3.937
1940-41	312,629,627	348,129,782	77,360,942)	.....	.....	122,131,993	.....	853,280,825	.....	.....	.....	.....
	(c) 16,032,710	40,491,790	32,913,470)	6,971,519	820,586,802	34,472,660	.....	.....	123,910,630	.....	977,191,455	4.295

(a) Includes Junior College, High School and Elementary School Districts.

(b) Not subject to City and County and School District tax levy.

(c) Property assessed by State Board of Equalization—Subject to City and County and School District tax levy.

(d) Eliminated from roll by 1935 legislature, previously taxed at the rate of 20c per \$100.

(e) Taxed at the rate of 10c per \$100.



## CITY AND COUNTY OF SAN FRANCISCO

## DETAIL OF TAX RATES

Fiscal Years 1929-30 to 1940-41

	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41
General Fund—Charter Limit \$1.65.....	1.013739	1.037954	1.084104	1.439628	1.606582	1.523520	1.305168	1.313201	1.297168	1.537071	1.429412	1.643692
General Fund—Other Necessary Expenditures Not Limited.....	.824330	.798185	.850640	.340466	.....	.467638	.424391	.410339	.427155	.441201	.515663	.520463
Unified School District.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.617683	.681146	.734577
Common School .....	.791360	.833823	.912432	.846772	.377301	.333527	.525827	.546397	.569500	.....	.....	.....
Special School Tax.....	.254500	.234845	.052811	.045045	.133765	.076407	.120937	.116183	.110734	.....	.....	.....
Recreation .....	.070000	.070000	.054616	.070000	.066950	.068826	.079584	.069886	.070000	.071666	.069858	.072742
Park .....	.100000	.100000	.100000	.100000	.100000	.102964	.109072	.115674	.126173	.116052	.130145	.134666
Library .....	.043233	.047721	.043203	.042636	.038537	.049217	.050215	.054191	.054914	.047873	.047388	.047340
Employees' Retirement .....	.066108	.065344	.068515	.181972	.188637	.205129	.195405	.211834	.219404	.225722	.231096	.231838
Bond Interest and Redemption.....	.614482	.666145	.686330	.805466	.903356	.968989	.793233	.860871	.909315	.883011	.743447	.581581
de Young Museum.....	.008498	.012654	.009687	.009071	.008113	.008452	.007553	.008778	.010792	.010155	.010310	.010917
California Palace of the Legion of Honor..	.008498	.012654	.009687	.008380	.008031	.009318	.008584	.009174	.009514	.009232	.008874	.007415
War Memorial .....	.....	.....	.....	.008536	.009633	.008785	.008802	.010415	.011501	.011202	.011707	.011540
Publicity and Advertising.....	.019381	.029125	.027250	.027883	.028128	.020417	.021566	.024759	.024259	.040000	.040000	.038905
Tax Judgments .....	.030603	.030495	.031361	.034145	.010967	.013564	.011405	.012941	.012758	.004675	.005944	.006108
Firemen's Relief .....	.054985	.054846	.070060	.....	.....	.....	.....	.....	.....	.....	.....	.....
Blind Pensions Fund.....	.002064	.008000	.008116	.....	.....	.....	.....	.....	.....	.....	.....	.....
Needy Aged Fund.....	.008219	.018209	.031188	.....	.....	.....	.....	.....	.....	.....	.....	.....
Golden Gate Bridge & Highway District..	.030000	.020000	.....	.....	.....	.....	.....	.....	.....	.....	.006607	.003113
Special Election Fund.....	.....	.....	.....	.....	.....	.003193	.....	.....	.....	.....	.....	.....
Interest on Tax Anticipation Notes.....	.....	.....	.....	.....	.....	.003676	.....	.000928	.000976	.002161	.003516	.005802
Airport .....	.....	.....	.....	.....	.....	.....	.020175	.018429	.016837	.022296	.001887	.044310
Hetch Hetchy Water Supply.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.199991
Total Levy .....	3.94	4.04	4.04	3.96	3.48	3.863622	3.681917	3.784	3.871	4.04	3.937	4.295





## CITY AND COUNTY OF SAN FRANCISCO

## TAX YIELD

Fiscal Year 1940-1941

TAXES ON PROPERTY ASSESSED BY  
CITY AND COUNTY:*Real Estate, Improvements and Se-  
cured Personal Property:*

	Valuation	Tax Yield	Rate Per \$100.
Real Estate and Improvements....	\$660,759,409	\$28,081,957.38	
Tangible Personal Property.....	7,117,357	303,900.96	
Less Veterans' Exemptions.....	6,971,519	.....	
Net Tangible Value.....	\$660,905,247	\$28,385,858.34	\$4.295
Solvent Credits .....	7,481,620	7,481.90	.10
Total .....	\$668,386,867	\$28,393,340.24	

*Unsecured Personal Property (Col-  
lected):*

Tangible Personal Property .....	\$ 44,272,969	\$ 1,743,029.95	\$3.937
Solvent Credits .....	88,384,351	88,389.56	.10
Total .....	\$132,657,320	\$ 1,831,419.51	

*Unsecured Personal Property (Uncol-  
lected):*

Tangible Personal Property.....	\$ 25,970,616	\$ 1,022,466.29	\$3.937
Solvent Credits .....	26,266,022	26,267.12	.10
Total .....	\$ 52,236,638	\$ 1,048,733.41	
Total Assessed by City and County Assessor .....	\$853,280,825	\$31,273,493.16	

TAXES ON PROPERTY ASSESSED BY  
STATE BOARD OF EQUALIZATION:

Real Estate and Improvements.....	\$ 56,524,500	\$ 2,427,727.50	\$4.295
Tangible Personal Property.....	32,913,470	1,413,633.59	4.295
Solvent Credits .....	34,472,660	34,472.66	.10
Total Assessed by State Board of Equalization .....	\$123,910,630	\$ 3,875,833.75	
Total of Above Assessments.....	\$977,191,455		
Total Tax Yield 1940-1941.....		\$35,149,326.91	
Reassessments .....		3,134.03	
Total Tax Yield .....		\$35,152,460.94	

CITY AND COUNTY OF SAN FRANCISCO  
AMOUNTS OF TAX LEVIES AND DELINQUENCIES

Fiscal Years 1930-31 to 1939-40

Fiscal Year	Amount of Levy	Uncollected at June 30		Uncollected June 30, 1940	%
		Amount	%	Amount	%
1930-1931 .....	\$33,177,550.65	\$ 544,801	1.64	\$ 48,469.92*	.14
1931-1932 .....	32,714,463.72	718,830	2.20	30,688.51	.09
1932-1933 .....	31,752,725.86	1,706,581	5.37	263,011.25	.82
1933-1934 .....	26,583,269.62	1,316,809	4.95	200,056.56	.75
1934-1935 .....	28,808,182.68	958,096	3.33	70,598.93	.24
1935-1936 .....	30,634,662.45	612,784	2.00	70,505.25	.23
1936-1937 .....	30,986,643.33	449,704	1.45	76,943.02	.24
1937-1938 .....	31,994,074.61	483,081	1.50	108,140.66	.33
1938-1939 .....	33,337,811.68	442,132	1.32	173,489.68	.52
1939-1940 .....	32,575,922.01	390,407	1.19	390,407.49	1.19

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\*Includes delinquent taxes for fiscal year 1930-1931 and those of prior years.

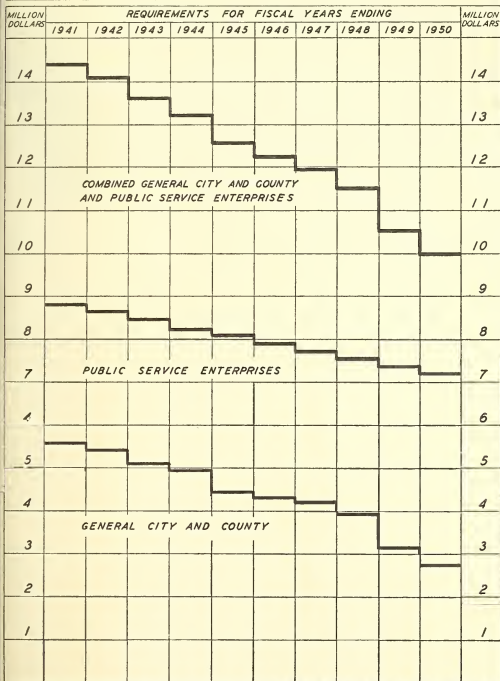
*CITY AND COUNTY OF SAN FRANCISCO*  
*PERCENTAGES OF TAX DELINQUENCY*

%	FOR FISCAL YEAR ENDING										%
	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	
5			5.4								5
4				4.9							4
3					3.3						3
2		2.2				2.0					2
1	1.6						1.5		1.3	1.2	1

CITY AND COUNTY OF SAN FRANCISCO  
AVERAGE NET INTEREST COST  
ON BONDS ISSUED

%	FOR FISCAL YEAR ENDING										%
	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	
5											5
4		4.89									4
	4.24		4.32								
3				4.07							3
					3.39						
2						2.68		2.63			2
1									1.82		1
										1.55	

*CITY AND COUNTY OF SAN FRANCISCO  
BOND INTEREST AND REDEMPTION*



## CITY AND COUNTY OF SAN FRANCISCO

## BONDED DEBT LIMIT

At July 1, 1940

(Section 104 of the Charter)

12% of Assessment Roll of \$977,191,455 for 1940-41		\$117,262,974
Bonded Debt not Matured—July 1, 1940.....	\$148,161,400	
Bonded Debt not Matured—July 1, 1940		
(Exempt from 12% limit).....	99,876,000	48,285,400
Limit of Future Bond Issues.....		<u>\$ 68,977,574</u>

CITY AND COUNTY OF SAN FRANCISCO  
**OLD AGE SECURITY—MAINTENANCE OF MINORS—WIDOWS' PENSIONS—NEEDY BLIND**  
 Sources of Funds, Fiscal Years 1931-32 to 1939-40, Inclusive

SOURCES OF FUNDS:	Year Ended June 30, 1932	Year Ended June 30, 1933	Year Ended June 30, 1934	Year Ended June 30, 1935	Year Ended June 30, 1936	Year Ended June 30, 1937	Year Ended June 30, 1938	Year Ended June 30, 1939	Year Ended June 30, 1940
Old Age Security:									
Federal Aid to State.....					\$ 70,402.22	\$ 424,763.87	\$ 631,788.30	\$ 788,887.03	\$1,026,835.66
Federal Aid to County.....					70,402.21	424,763.85	631,788.30	788,887.04	1,026,835.66
Total Federal Aid.....					140,804.43	849,527.72	1,263,576.60	1,577,774.07	2,053,671.32
From State Revenues.....	\$ 163,840.75	\$ 173,793.06	\$ 191,068.63	\$ 217,557.94	348,382.49	536,594.01	812,746.72	1,452,315.15	1,148,564.36
From County Taxes.....	164,216.03	174,035.90	194,785.72	218,020.70	353,005.25	537,504.44	814,652.57	566,468.67	1,166,236.78
Total from all Sources.....	\$ 328,056.78	\$ 347,828.96	\$ 385,854.35	\$ 435,578.64	\$ 842,192.17	\$1,923,626.17	\$2,890,975.89	\$3,596,557.89	\$4,368,472.46
Maintenance of Minors:									
Federal Aid to State.....						\$ 19,245.91	\$ 19,852.98	\$ 22,366.30	\$ 42,967.05
Federal Aid to County.....						15,898.62	16,493.23	18,826.23	23,467.36
Total Federal Aid.....						35,144.53	36,346.21	41,192.53	66,434.41
From State Revenues.....	\$ 150,135.81	\$ 157,804.75	\$ 146,112.68	\$ 154,635.41	\$ 159,475.50	140,088.66	163,522.06	188,971.80	253,006.27
From County Taxes.....	516,913.57	476,923.99	410,950.58	397,389.08	365,254.77	349,910.30	361,609.23	376,037.09	348,440.26
Total from all Sources.....	\$ 667,049.38	\$ 634,728.74	\$ 557,063.26	\$ 552,024.49	\$ 524,730.27	\$ 525,143.49	\$ 561,477.50	\$ 606,251.42	\$ 667,880.94
Widows' Pensions:									
Federal Aid to State.....						\$ 33,467.84	\$ 35,239.99	\$ 37,005.50	\$ 63,940.91
Federal Aid to County.....						29,351.21	29,431.17	31,255.15	35,352.45
Total Federal Aid.....						62,819.05	64,671.16	68,260.65	99,293.36
From State Revenues.....	\$ 97,755.00	\$ 108,745.63	\$ 116,065.24	\$ 120,020.93	\$ 128,497.98	97,837.37	121,669.90	137,136.57	157,012.07
From County Taxes.....	77,926.38	93,437.77	93,551.95	102,488.03	111,118.95	85,942.76	135,777.98	121,289.85	90,823.37
Total from all Sources.....	\$ 175,681.38	\$ 202,183.40	\$ 209,617.19	\$ 222,508.96	\$ 239,616.93	\$ 246,599.18	\$ 322,119.04	\$ 326,687.07	\$ 347,128.80
Needy Blind:									
Federal Aid to State.....						\$ 25,884.45	\$ 33,612.01	\$ 40,808.25	\$ 53,184.11
Federal Aid to County.....						25,884.44	33,612.00	40,808.25	53,184.11
Total Federal Aid.....						51,768.89	67,224.01	81,616.50	106,368.22
From State Revenues.....	\$ 33,824.92	\$ 36,699.79	\$ 43,571.92	\$ 49,780.48	\$ 52,468.60	44,950.03	73,302.64	91,810.16	94,981.71
From County Taxes.....	34,184.90	37,005.73	44,906.92	49,820.49	54,715.21	46,967.58	74,174.85	91,905.76	96,117.29
Total from all Sources.....	\$ 68,009.82	\$ 73,705.52	\$ 88,478.84	\$ 99,600.97	\$ 107,183.81	\$ 143,686.50	\$ 214,701.50	\$ 265,332.42	\$ 297,467.22
RECAPITULATION—SOURCES OF FUNDS:									
Federal Aid to State.....					\$ 70,402.22	\$ 503,362.07	\$ 720,493.28	\$ 889,067.08	\$1,186,927.73
Federal Aid to County.....					70,402.21	495,898.12	711,324.70	879,776.67	1,138,839.58
Total Federal Aid.....					140,804.43	999,260.19	1,431,817.98	1,768,843.75	2,325,767.31
From State Revenues.....	\$ 445,556.48	\$ 477,043.23	\$ 496,818.47	\$ 541,994.76	688,824.57	819,470.07	1,171,241.32	1,870,233.68	1,653,564.41
From County Taxes.....	793,240.88	781,403.39	744,195.17	767,718.30	884,094.18	1,020,325.08	1,386,214.63	1,155,751.37	1,701,617.70
TOTAL FROM ALL SOURCES.....	\$1,238,797.36	\$1,258,446.62	\$1,241,013.64	\$1,309,713.06	\$1,713,723.18	\$2,839,055.34	\$3,989,273.93	\$4,794,828.80	\$5,680,949.42

Note: This is a statement of actual aid and does not include administrative expense.





**Office of the Controller**  
**Report on Examination of Accounts**  
**For the Fiscal Year Ended June 30, 1940**

(Wherever italic figures appear in this Report, they indicate red figures)

## LYBRAND, ROSS BROS. &amp; MONTGOMERY

ACCOUNTANTS AND AUDITORS

2 Pine Street

San Francisco, California

October 5, 1940.

To the Honorable Board of Supervisors, City and County of San Francisco,  
San Francisco, California.

Dear Sirs:

In accordance with your resolution No. 1148, adopted July 8, 1940, we have examined the accounts of the office of the controller of the CITY AND COUNTY OF SAN FRANCISCO for the year ended June 30, 1940, as herein-after outlined.

*Scope of Examination:* Section 64 of the charter provides that the controller shall devise adequate systems of internal check. Our review of the procedure in effect in the various divisions of the controller's office, in connection with our investigation of the internal audit and recordation of revenues, expenditures, appropriations, and encumbrances, indicates that the internal check is adequate.

Section 66 of the charter provides that the controller shall audit the accounts of all boards, officers, and employees of the city and county charged in any manner with the custody, collection, or disbursement of funds. Our work in connection with such accounts was restricted to a review of the reports and working papers that had been prepared by the controller's audit staff.

Our examination of the property accounts was limited to a review of the recorded additions and retirements for the year.

We made a general review and test check of the recorded revenues and expenditures for the year. We also compared them with those of the preceding year and accounted for all substantial fluctuations. However, under the terms of our engagement we did not examine all transactions for the year.

We also examined the special and trust funds balance sheet as at June 30, 1940.

The accounts of the airport were audited by the controller, while those of the other city and county owned public service enterprises (water, power, and street railway) were audited by independent accountants. The figures included in this report are in agreement with such audit reports and are subject to the comments contained therein.

## REVENUES, EXPENDITURES, AND CURRENT SURPLUS

A condensed summary of the general city and county revenues, expenditures, and current surplus for the year ended June 30, 1940, comparative with the preceding year, follows:

	Year Ended June 30	
	1940	1939
<b>Revenues:</b>		
Property taxes and penalties.....	\$32,596,944.65	\$33,351,698.37
Other taxes and licenses.....	1,254,285.83	796,056.88
Received through State of California.....	12,292,525.02	11,370,122.31
Departmental revenues .....	1,844,644.93	1,764,644.89
Interest earned .....	33,631.35	34,384.56
Rents .....	17,235.11	18,032.80
Court fines .....	265,138.73	164,094.51
Contribution from Water Department.....	902,898.00	990,826.00
Federal grants .....	.....	7,451.01
Cash transferred from capital funds.....	93,229.55	270,296.58
Miscellaneous, net .....	.....	148,484.73
<b>Total revenues .....</b>	<b>\$49,300,533.17</b>	<b>\$48,916,092.64</b>
<b>Expenditures:</b>		
Departmental expenses .....	\$37,731,648.47	\$36,454,440.69
Bond redemption .....	2,865,100.00	2,925,100.00
Bond interest .....	1,992,705.17	2,113,474.87
Other interest .....	84,481.92	49,659.11
Pensions and compensation insurance.....	2,455,250.31	2,393,309.71
Judgments and losses .....	71,861.02	86,523.69
Publicity and advertising .....	332,820.41	285,883.64
Contribution to Hetch Hetchy Project.....	1,007,944.00	2,643,091.50
Contribution to Airport .....	237,737.30	194,747.89
Capital additions from revenues.....	1,046,070.03	1,604,530.68
Special contribution as sponsor to P. W. A. School and Hospital construction funds...	267,107.69	1,456,020.48
Miscellaneous, net .....	324,464.11	.....
<b>Total expenditures .....</b>	<b>\$48,417,190.43</b>	<b>\$50,206,782.26</b>
<b>Net revenues or expenditures.....</b>	<b>\$ 883,342.74</b>	<b>\$ 1,290,689.62*</b>
<b>Current surplus from preceding year.....</b>	<b>4,976,434.90</b>	<b>6,267,124.52</b>
<b>Current surplus at close of year.....</b>	<b>\$ 5,859,777.64</b>	<b>\$ 4,976,434.90</b>

\*Funded from current surplus in accordance with budget provisions.

The foregoing statement does not include the operations of the city and county owned public service enterprises, which are stated separately on page 43 of this report.

In accordance with section 64 of the charter, the public service enterprises keep their accounts in the same manner as privately owned and operated utilities.

The foregoing summary shows certain fluctuations of revenues and expenditures in regard to which we submit the following comments:

*Property Taxes:* These showed a decrease of \$754,753.72, as follows:

	Taxes	Tax Rate
1938-39 .....	\$33,351,698.37	\$4.04
1939-40 .....	32,596,944.65	3.937
Decrease .....	<u>\$ 754,753.72</u>	

A summary of the assessment rolls follows:

Property assessed by City and County Assesor:

	1939-40	1938-39
Tangible property:		
Real estate and improvements.....	\$665,685,294	\$664,295,898
Personal property—secured .....	10,309,533	10,208,727
	<u>\$675,994,827</u>	<u>\$674,504,625</u>
Less, veterans' exemptions.....	6,777,349	6,543,924
	<u>\$669,217,478</u>	<u>\$667,960,701</u>
Personal property—unsecured .....	64,562,440	67,796,563
	<u>\$733,779,918</u>	<u>\$735,757,264</u>
Intangible property:		
Solvent credits (10 cents per \$100).....	<u>\$120,635,532</u>	<u>\$121,647,347</u>
Property assessed by State Board of Equalization:		
Tangible property:		
Real estate and improvements.....	\$ 56,830,960	\$ 57,298,680
Personal property .....	30,765,680	30,932,540
	<u>\$ 87,596,640</u>	<u>\$ 88,231,220</u>

Intangible property:		
Solvent credits (10 cents per \$100).....	<u>\$ 42,077,030</u>	<u>\$ 26,265,410</u>
Total property subject to city and county taxes .....	<u>\$984,089,120</u>	<u>\$971,901,241</u>

The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

- (1) Railroad companies including street railways, herein defined to include interurban railways, whether operating in one or more counties
- (2) Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit, and other car-loaning and other car companies, operating upon the railroads in the state
- (3) Companies doing express business on any railroad, steamboat, vessel, or stage line in the state
- (4) Telegraph and telephone companies
- (5) Companies engaged in the transmission or sale of gas or electricity."

*Other Taxes and Licenses: A comparative summary follows:*

	Year Ended June 30	
	1940	1939
Business licenses, etc.:		
Business licenses and inspection fees.....	\$ 255,779.69	\$275,786.02
Vehicle licenses (municipal) .....	22,055.46	24,764.50
Ferry licenses .....	1,200.00	1,200.00
Building permits, etc.:		
Building permits .....	107,973.15	99,995.60
Marriage licenses .....	10,258.00	13,040.00
Miscellaneous .....	53,966.75	43,430.55
Franchise taxes:		
The Pacific Telephone and Telegraph Company..	277,261.96	274,944.16
Market Street Railway Company.....	40,824.80	40,157.15
California Street Cable Railroad Company.....	4,487.05	4,536.86
American District Telegraph Company.....	5,478.97	18,202.04
Pacific Gas and Electric Company.....	475,000.00	.....
	<u>\$1,254,285.83</u>	<u>\$796,056.88</u>

Franchises were granted in 1939-40 to Pacific Gas and Electric Company for the distribution of gas and electricity. The amount of \$475,000 revenues for 1939-40 is comprised as follows:

Price of franchises in consideration of distribution prior to January 1, 1940.....	\$400,000
Estimated revenue for the six months ended June 30, 1940	75,000
	<u>\$475,000</u>

*Revenues Received Through the State of California: A comparative summary follows:*

	Year Ended June 30	
	1940	1939
Common schools .....	\$ 2,431,922.01	\$ 2,406,111.39
High schools .....	2,312,591.57	2,215,139.06
County roads .....	1,308,760.53	1,241,965.52
Motor vehicle licenses.....	805,986.70	535,608.92
Beverage licenses .....	558,489.06	499,415.40
Special gas tax street improvement.....	617,913.54	577,224.05
*Needy aged .....	3,252,953.69	3,067,077.03
*Orphans and half orphans.....	331,575.80	233,673.79
*Widows' pensions .....	269,887.30	212,143.20
*Needy blind .....	205,362.08	173,426.66
Tubercular patients .....	91,306.64	90,698.72
Fire boats .....	69,796.91	83,091.03
Federal aid to high schools.....	35,979.19	31,142.16
Filing fees .....	.....	3,405.38
	<u>\$12,292,525.02</u>	<u>\$11,370,122.31</u>

\*State and Federal grants to partially reimburse the city and county for the cost of pensions. The increases resulted from a larger number of cases and from changes in the state and federal regulations which imposed larger participation by those government divisions.

Motor vehicle licenses increased \$270,377.78 as follows:

1939-40 .....	\$805,986.70
1938-39 .....	535,608.92
Increase .....	<u>\$270,377.78</u>

The revenue laws of California provide that license fees collected by the state be apportioned on percentage bases. The percentage distributed to cities and counties after July 1, 1939, was substantially higher than for prior periods.

*Departmental Expenses:* These expenses increased \$1,277,207.78, as follows:

	Year Ended June 30	
	1940	1939
General government .....	\$ 3,163,150.04	\$ 3,238,229.08
Protection of life and property.....	7,468,426.70	7,479,576.97
Education .....	9,952,856.51	9,795,313.14
Recreation .....	2,311,834.30	2,325,697.34
Charities, hospitals, and corrections.....	11,643,004.45	10,495,145.04
Conservation of health .....	769,094.19	729,965.03
Sanitation .....	1,019,462.37	980,792.83
Highways .....	1,212,568.96	1,219,195.49
Other .....	191,250.95	190,525.77
	<u>\$37,731,648.47</u>	<u>\$36,454,440.69</u>
	36,454,440.69	
Increase .....	<u>\$ 1,277,207.78</u>	

A detailed comparison of these expenses is shown on pages 38 and 39 of this report.

### PROPRIETARY BALANCE SHEET COMMENTS

The following comments refer to various items which appear on the proprietary balance sheet:

*Properties:* A summary of the property accounts is shown on pages 44 and 45 of this report. We examined the vouchers for the major additions to the general city and county properties during the year and found that they represented proper capital charges.

*Cash:* Cash on deposit with the treasurer as at June 30, 1940, amounting to \$19,380,854.65, and the imprest funds of the general city and county were verified by the controller. Our review of the working papers indicated that such verification had been properly performed, and that the treasurer had complied with section 82 of the charter, which regulates the receipt, custody, and deposit of public funds.

*Taxes Receivable:* A summary of taxes receivable follows:

#### Secured taxes:

1939-40 .....	\$342,756.84
1938-39 .....	143,160.62
1937-38 .....	76,148.95
Prior years .....	249,918.20

\$811,984.61

Interest, penalties, and costs on delinquent secured taxes .....	157,688.47
--	------------

\$969,673.08

Less, installment collections.....	80,812.05
------------------------------------	-----------

\$888,861.03

Unsecured taxes and penalties amounting to \$721,445.48, and fully reserved, are not included above.

Taxes receivable were not confirmed by communication with the property owners.

*Revenues Accrued and Other Receivables:* These receivables consist of the following:

State of California.....	\$1,130,800.58
Franchise revenues .....	229,500.00
Accrued interest on investment bonds.....	415,136.55
Other .....	28,954.48
	<hr/>
Total general city and county.....	\$1,804,391.61
Accounts receivable, public service enterprises.....	1,728,916.66
	<hr/>
	\$3,533,308.27
	<hr/>

Amounts due from the State of California are herewith detailed:

County roads .....	\$ 469,798.11
Beverage licenses .....	347,157.87
Special gas tax street improvement.....	171,984.71
Motor vehicle licenses.....	40,000.00
Fire boats .....	13,000.00
Tubercular patients .....	45,400.00
Maintenance of foster homes.....	43,459.89
	<hr/>
	\$1,130,800.58
	<hr/>

These are in agreement with copies of claims on file against the state, estimates of amounts for which claims had not been submitted, and/or subsequent collections.

Accrued franchise revenues are as follows:

The Pacific Telephone and Telegraph Company, for the nine months ended June 30, 1940.....	\$205,000.00
Market Street Railway Company, for the six months ended June 30, 1940 .....	20,000.00
California Street Cable Railroad Company, for the six months ended June 30, 1940.....	2,000.00
American District Telegraph Company, for the six months ended June 30, 1940.....	2,500.00
	<hr/>
	\$229,500.00
	<hr/>

*Investment Securities:* A summary follows:

Employees' Retirement System (bonds):	Par Values	Book Values
United States Government.....	\$ 400,000	\$ 423,039.91
State of California.....	3,891,000	3,991,556.50
City and County of San Francisco.....	3,464,400	3,621,516.34
East Bay Municipal Utility District.....	1,618,000	1,782,120.57
City of New York.....	2,911,000	3,282,753.52
Los Angeles Flood Control District.....	1,230,000	1,455,313.90
Golden Gate Bridge and Highway District.....	500,000	562,139.31
City of Los Angeles.....	2,340,000	2,709,490.68
Marin Municipal Water District.....	361,000	378,477.97
City of Richmond.....	404,000	430,243.57
City of Sacramento.....	393,000	426,076.54
City of Stockton.....	375,300	404,928.86
Metropolitan Water District of Southern California .....	3,233,000	3,603,704.23
Other California cities, counties, and school districts .....	1,718,488	1,797,408.22
Railroads .....	601,100	594,933.19
Public utilities .....	786,500	804,725.88
	<hr/>	<hr/>
	\$24,226,788	\$26,268,429.19
Bequest and trust funds (stocks and bonds).....	125,426	179,495.19
	<hr/>	<hr/>
	\$24,352,214	\$26,447,924.38
	<hr/>	<hr/>

These securities are in the joint custody of the controller and the treasurer. The controller has verified the securities and the collection of interest and dividends. Since the securities were purchased for investment, we have not attempted to determine their market values. None of the bonds were in default as to principal or interest as at June 30, 1940.

In accordance with section 159 of the charter, the Retirement Board has exclusive control of the administration and investment of the funds of the Retirement System.

*Deferred Charges:* A summary follows:

General city and county:

Relief expenditures financed by long-term loans..	\$ 5,493,975.20
Commitments .....	6,963,973.99
Materials and supplies.....	323,315.10
Other .....	14,875.00

\$12,796,139.29

Public service enterprises..... 1,395,081.16

\$14,191,220.45

Relief expenditures, \$5,493,975.20, resulted from an outlay in prior years for unemployment relief, which was financed as follows:

Sale of relief bonds.....	\$6,500,000.00	
Less, redemptions .....	2,168,000.00	\$4,332,000.00

Loans from State of California.....	\$2,017,261.00	
Less, payments thereon.....	855,285.80	1,161,975.20

\$5,493,975.20

The relief bonds mature at the rate of \$542,000 per year. The balances of the loans from the State of California, represented by three notes maturing in annual installments, are as follows:

Balance Due	Payable Annually
\$ 700,000.00	\$100,000.00
275,354.40	55,070.90
186,620.80	46,655.20
<u>\$1,161,975.20</u>	

Commitments are herewith detailed:

	Original Amount	Unpaid Balance
Employees' Retirement System.....		\$5,065,646.94
Land purchases:		
Fleishhacker playground .....	\$363,986.00	270,192.63
Lafayette Park .....	200,000.00	80,000.00
Sigmund Stern Grove.....	50,000.00	15,000.00
Aquatic Park .....	142,500.00	110,416.66
Yacht Harbor .....	390,707.00	370,707.00
Other commitments:		
Merry-go-round purchase .....	31,835.00	6,271.66
Joint Highway District No. 9.....	368,354.00	121,954.25
Joint Highway District No. 10.....	818,000.00	703,200.00
Playground lighting system.....	40,000.00	40,000.00
Judgments .....		180,584.85
		<u><u>\$6,963,973.99</u></u>

These commitments represent amounts which will be paid from the revenues of future years.



Materials and supplies are shown at their book values.

**Bonded Indebtedness:** We verified the following changes in bonded indebtedness for the year ended June 30, 1940:

	Total	Public Service Enterprises	General City and County
Outstanding, June 30, 1939.....	\$157,243,800	\$109,280,200	\$47,963,600
Sold during year.....	1,986,000	1,245,000	741,000
	<u>\$159,229,800</u>	<u>\$110,525,200</u>	<u>\$48,704,600</u>
Redeemed during year.....	7,633,900	4,168,800	3,465,100
Outstanding, June 30, 1940.....	<u>\$151,595,900</u>	<u>\$106,356,400</u>	<u>\$45,239,500</u>

As at June 30, 1940, there were no bonds authorized but unissued.

Section 104 of the charter provides that the bonded debt, exclusive of (1) debt incurred for the financing of public improvements, the cost of which is assessed against private property benefited thereby, and (2) debt incurred for water supply, storage, or distribution purposes, shall not exceed 12 per cent of the assessed value of all real and personal property subject to city and county taxes.

A summary of the assessment roll of March 4, 1940 (for the year 1940-41) follows:

Real estate and improvements and secured personal property taxable at \$4.295 per \$100 (1940-41 rate).....	\$750,343,217
Unsecured tangible personal property, taxable at \$3.937 per \$100 (1939-40 rate) .....	70,243,585
Total tangible property.....	<u>\$820,586,802</u>
Solvent credits, taxable at the rate of 10 cents per \$100.....	156,604,593
Total property subject to city and county taxes.....	<u>\$977,191,395</u>

The tax rate of 10 cents per \$100 on solvent credits was first applied in the fiscal year 1929-30. Prior to that year solvent credits were taxed at the same rates as tangible property. The 12 per cent limit on bonded indebtedness was fixed by a charter amendment voted November 2, 1926. Prior to that date the limit was 15 per cent.

Bonded debt as at July 1, 1940, subject to the 12 per cent limit, amounted to \$48,285,400, as follows:

Bonds not matured.....	\$148,161,400
Deduct, bonds not subject to the 12 per cent limit:	
Hetch Hetchy .....	\$62,000,000
Water Department .....	37,876,000
	<u>99,876,000</u>
Bonded debt subject to the 12 per cent limit.....	<u>\$ 48,285,400</u>

From the foregoing it will be seen that the charter provision with respect to bonded debt limit has been complied with.

**Accounts and Notes Payable:** These liabilities are herewith summarized:

General city and county:

Contracts, purchase orders, etc.....	\$ 2,662,617.33
Relief loans from State of California.....	1,161,975.20
Accrued interest thereon.....	149,919.75
Warrants outstanding .....	1,468,879.33
Commitments .....	6,963,973.99

	<u>\$12,407,365.60</u>
Public service enterprises.....	934,297.85
	<u>\$13,341,663.45</u>

Contracts, purchase orders, etc., were verified by reference to the supporting records and by a review of the procedure in connection with the controller's audit, approval, and recordation of these liabilities.

Relief loans from the State of California consist of three loans as follows:

Date of Loan	Interest Rate	Original Amount	Unpaid Balance	Payable Annually
Nov. 16, 1933	4 $\frac{1}{4}$ %	\$1,000,000	\$ 700,000.00	\$100,000.00
Aug. 11, 1934	3 $\frac{3}{4}$	550,709	275,354.40	55,070.90
Apr. 26, 1934	4 $\frac{1}{2}$	466,552	186,620.80	46,655.20
			<u>\$1,161,975.20</u>	

These loans were made under the provisions of the Unemployment Relief Bond Act of 1933.

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. The bonds of that district, amounting to \$35,000,000, are general obligations of the district and are payable (to the extent that revenues of the district may be insufficient to meet operating expenses, interest, and redemption charges) from ad valorem taxes which may be levied, without limitation as to rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte Counties, and portions of Napa and Mendocino Counties. The records of the district showed that the bridge operations for the past two years had resulted as follows:

	Year Ended June 30	
	1940	1939
Operating revenues .....	\$2,124,158.50	\$1,903,372.75
Operating expenses .....	520,187.05	526,322.65
	<u>\$1,603,971.45</u>	<u>\$1,377,050.10</u>
Other income or expense.....	12,398.51	11,826.57
	<u>\$1,591,572.94</u>	<u>\$1,388,876.67</u>
Bond interest .....	1,519,500.00	1,519,500.00
Net income or loss.....	<u>\$72,072.94</u>	<u>\$130,623.33</u>

Disposition of net income or loss:

Bond redemption fund (a).....	\$50,000.00	.....
Reserve interest fund.....	4,211.53	\$ 4,379.39
Capital fund .....	106.39	.....
Balance to current surplus.....	17,755.02	135,002.72
	<u>\$72,072.94</u>	<u>\$130,623.33</u>

(a) Bond maturities are as follows:

Due Annually	Total
\$ 200,000 July 1, 1942-46.....	\$ 1,000,000
400,000 July 1, 1947-51.....	2,000,000
800,000 July 1, 1952-56.....	4,000,000
1,200,000 July 1, 1957-61.....	6,000,000
1,600,000 July 1, 1962-66.....	8,000,000
2,800,000 July 1, 1967-71.....	14,000,000
	<u>\$35,000,000</u>

The following contingent liabilities exist through unsettled lawsuits against the City and County of San Francisco, exclusive of litigation in connection with the public service enterprises:

Lawsuits of school teachers for salary adjustments of prior years.

Lawsuit by The Pacific Telephone and Telegraph Company, contending that its properties were over-assessed by the State Board of Equalization.

The City Attorney has stated to us that it is impossible at this time to determine the amounts involved in these actions.

### FUND BALANCE SHEET COMMENTS

A summary of the fund balance sheets with statements showing in detail the status of the various funds will be found on page 51 of this report.

A reconciliation of the fund balance sheet with the proprietary balance sheet is shown as follows:

#### Fund balance sheet:

Special and trust funds.....	\$ 28,024,491.72
Surplus .....	12,267,112.63
	<hr/>
	\$40,291,604.35

Add, proprietary assets not shown in fund balance sheet, since they do not represent fund resources:

Properties, net .....	\$377,457,799.82	
Account receivable from City of Palo Alto, collectible over a period of years.....	167,304.52	
Revolving funds and undeposited cash.....	72,093.98	
Deferred charges .....	14,191,220.45	391,888,418.77
	<hr/>	
		\$432,180,023.12

Deduct proprietary liabilities not shown in fund balance sheet, representing charges against revenues of future years:

Bonded debt unmatured.....	\$148,161,400.00	
Bond interest unmatured.....	372,730.98	
Bonds and interest due July 1, 1940, included in 1940-41 budget.....	2,223,413.75	
Commitments .....	6,963,973.99	
Hetch Hetchy rent due July 1, 1940.....	30,000.00	
Relief loans from State.....	1,161,975.20	
Accrued interest thereon.....	149,919.75	
Other deferred credits.....	640,746.27	159,704,159.94
	<hr/>	
		\$272,475,863.18

Deduct fund resources not shown in proprietary balance sheet:

Federal grants (unearned portion).....	772,003.58
	<hr/>

#### Proprietary balance sheet:

Special and trust funds.....	\$ 28,026,757.81	
Surplus .....	243,677,101.79	\$271,703,859.60
	<hr/>	<hr/>

The following funds showed deficits as at June 30, 1940:

Auditorium .....	\$167,930.42
Firemen's Relief and Pension.....	170,963.74
Police Relief and Pension.....	103,235.58
	<u>\$442,129.74</u>

These deficits were created prior to the adoption of the present charter, which became operative January 8, 1932.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.

2. Payment of that portion of the authorized expenses of the city and county for any fiscal year which, as certified by the controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The cash reserve fund as at June 30, 1940, had a balance of \$3,257,592.20, as follows:

Cash .....	\$1,071,581.95
Temporary loans to other funds.....	1,982,724.37
Other interfund accounts.....	203,285.88
	<u>\$3,257,592.20</u>

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

*Surety Bonds:* We inspected the surety bonds covering the various officers of the city and county and determined that the charter provisions had been complied with.

All surety bonds on file have been approved by the controller in accordance with Bill No. 1603, Ordinance No. 4045, approved July 15, 1938. The basis used by the controller for this purpose is the list and limits of acceptable sureties on Federal bonds published by the U. S. Treasury Department.

We wish to express our appreciation to the controller and his staff for their cooperation and for the many courtesies extended to us during the course of our examination.

Very truly yours,

LYBRAND, ROSS BROS. & MONTGOMERY.

**CITY AND COUNTY OF SAN FRANCISCO  
PROPRIETARY BALANCE SHEET**

June 30, 1940

**ASSETS:**

**GENERAL CITY AND COUNTY**

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Special and Trust Accounts
<b>Fixed capital:</b>						
Properties, details annexed.....	\$415,669,531.80	\$192,235,662.52	\$223,433,869.28	.....	\$223,433,869.28	.....
Less, allowance for depreciation...	38,211,731.98	38,211,731.98	.....	.....	.....	.....
	<u>\$377,457,799.82</u>	<u>\$154,023,930.54</u>	<u>\$223,433,869.28</u>	<u>.....</u>	<u>\$223,433,869.28</u>	<u>.....</u>
<b>Cash:</b>						
On deposit with treasurer.....	\$ 19,380,854.65	\$ 7,175,141.94	\$ 12,205,712.71	\$ 7,840,711.99	\$ 2,732,661.03	\$ 1,632,339.69
Other cash .....	72,093.98	45,043.98	27,050.00	27,050.00	.....	.....
	<u>\$ 19,452,948.63</u>	<u>\$ 7,220,185.92</u>	<u>\$ 12,232,762.71</u>	<u>\$ 7,867,761.99</u>	<u>\$ 2,732,661.03</u>	<u>\$ 1,632,339.69</u>
<b>Accounts receivable:</b>						
Taxes receivable, less allowance for uncollectible taxes .....	\$ 888,861.03	.....	\$ 888,861.03	\$ 888,861.03	.....	.....
City of Palo Alto (pipe line contract) .....	167,304.52	\$ 167,304.52	.....	.....	.....	.....
Revenues accrued and other receivables, less allowance for uncollectible items .....	3,533,308.27	1,728,916.66	1,804,391.61	1,362,300.58	.....	\$ 412,091.03
	<u>\$ 4,589,473.82</u>	<u>\$ 1,896,221.18</u>	<u>\$ 2,693,252.64</u>	<u>\$ 2,251,161.61</u>	<u>.....</u>	<u>\$ 412,091.03</u>
<b>Investment securities .....</b>	<u>\$ 26,447,924.38</u>	<u>.....</u>	<u>\$ 26,447,924.38</u>	<u>.....</u>	<u>.....</u>	<u>\$26,447,924.38</u>
<b>Interfund accounts (contra) .....</b>	<u>\$ 1,519,234.22</u>	<u>\$ 141,701.48</u>	<u>\$ 1,377,532.74</u>	<u>\$ 1,304,651.44</u>	<u>.....</u>	<u>\$ 72,881.30</u>
<b>Deferred charges:</b>						
Relief expenditures financed by long-term loans .....	\$ 5,493,975.20	.....	\$ 5,493,975.20	\$ 5,493,975.20	.....	.....
Commitments (contra) .....	6,963,973.99	.....	6,963,973.99	6,963,973.99	.....	.....
Materials and supplies.....	1,155,419.42	\$ 832,104.32	323,315.10	323,315.10	.....	.....
Other deferred charges.....	577,851.84	562,976.84	14,875.00	14,875.00	.....	.....
	<u>\$ 14,191,220.45</u>	<u>\$ 1,395,081.16</u>	<u>\$ 12,796,139.29</u>	<u>\$12,796,139.29</u>	<u>.....</u>	<u>.....</u>
	<u>\$443,658,601.32</u>	<u>\$164,677,120.28</u>	<u>\$278,981,481.04</u>	<u>\$24,219,714.33</u>	<u>\$226,166,530.31</u>	<u>\$28,595,236.40</u>

**LIABILITIES:**

**GENERAL CITY AND COUNTY**

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Special and Trust Accounts
<b>Bonded debt, details annexed:</b>						
Due July 1, 1940.....	\$ 3,300,000.00	\$ 2,600,000.00	\$ 700,000.00	\$ 700,000.00	.....	.....
Due subsequently .....	148,161,400.00	103,741,000.00	44,420,400.00	4,332,000.00	\$ 40,088,400.00	.....
Matured, unpaid .....	134,500.00	15,400.00	119,100.00	119,100.00	.....	.....
	<u>\$151,595,900.00</u>	<u>\$106,356,400.00</u>	<u>\$ 45,239,500.00</u>	<u>\$ 5,151,100.00</u>	<u>\$ 40,088,400.00</u>	<u>.....</u>
<b>Bond interest:</b>						
Due July 1, 1940.....	\$ 2,364,663.75	\$ 1,969,010.00	\$ 395,653.75	\$ 395,653.75	.....	.....
Accrued, not due.....	372,730.98	66,538.10	306,192.88	306,192.88	.....	.....
Matured, unpaid .....	336,933.75	264,296.25	72,637.50	72,637.50	.....	.....
	<u>\$ 3,074,328.48</u>	<u>\$ 2,299,844.35</u>	<u>\$ 774,484.13</u>	<u>\$ 774,484.13</u>	<u>.....</u>	<u>.....</u>
<b>Accounts and notes payable:</b>						
Contracts, purchase orders, etc....	\$ 3,346,265.02	\$ 683,647.69	\$ 2,662,617.33	\$ 952,089.51	\$ 1,696,855.21	\$ 13,672.61
Relief loans from State of California	1,161,975.20	.....	1,161,975.20	1,161,975.20	.....	.....
Accrued interest thereon .....	149,919.75	.....	149,919.75	149,919.75	.....	.....
Warrants outstanding .....	1,689,529.49	220,650.16	1,468,879.33	1,071,969.34	60,701.21	336,208.78
Commitments (contra) .....	6,963,973.99	.....	6,963,973.99	6,963,973.99	.....	.....
Hetch Hetchy rent (due July 1, 1940)	30,000.00	30,000.00	.....	.....	.....	.....
	<u>\$ 13,341,663.45</u>	<u>\$ 934,297.85</u>	<u>\$ 12,407,365.60</u>	<u>\$10,299,927.79</u>	<u>\$ 1,757,556.42</u>	<u>\$ 349,881.39</u>
<b>Special and trust funds.....</b>	<u>\$ 28,026,757.81</u>	<u>.....</u>	<u>\$ 28,026,757.81</u>	<u>.....</u>	<u>.....</u>	<u>\$28,026,757.81</u>
<b>Interfund accounts (contra) .....</b>	<u>\$ 1,519,234.22</u>	<u>\$ 908,614.94</u>	<u>\$ 610,619.28</u>	<u>\$ 163,675.58</u>	<u>\$ 228,346.50</u>	<u>\$ 218,597.20</u>
<b>Deferred credits:</b>						
Taxes collected for year 1940-41....	\$ 1,782,869.30	.....	\$ 1,782,869.30	\$ 1,782,869.30	.....	.....
Other deferred credits and reserves	640,746.27	\$ 452,866.38	187,879.89	187,879.89	.....	.....
	<u>\$ 2,423,615.57</u>	<u>\$ 452,866.38</u>	<u>\$ 1,970,749.19</u>	<u>\$ 1,970,749.19</u>	<u>.....</u>	<u>.....</u>
<b>SURPLUS:</b>						
Detailed statements annexed.....	\$243,677,101.79	\$ 53,725,096.76	\$189,952,005.03	\$ 5,859,777.64	\$184,092,227.39	.....
	<u>\$443,658,601.32</u>	<u>\$164,677,120.28</u>	<u>\$278,981,481.04</u>	<u>\$24,219,714.33</u>	<u>\$226,166,530.31</u>	<u>\$28,595,236.40</u>

Note: Public Service Enterprises assets and liabilities are detailed on page 40 of this report.



## CAPITAL SURPLUS — GENERAL CITY AND COUNTY

For the year ended June 30, 1940

Balance, June 30, 1939.....		\$178,654,268.61
Add:		
Matured bonds transferred to current funds		
ledger .....	\$2,865,100.00	
Capital additions from revenues.....	1,046,070.03	
Special contributions as sponsor to P. W. A.		
School and Hospital construction funds.....	267,107.69	
Capital additions from trust funds.....	570,735.83	
Federal grants earned .....	774,436.13	
Interest during construction capitalized.....	82,066.89	
Miscellaneous .....	2,548.24	
	<u>\$5,608,064.81</u>	
Deduct:		
Cash transferred to current funds.....\$	93,229.55	
Property retirements .....	76,876.48	
	<u>\$ 170,106.03</u>	
Net additions to capital surplus.....		5,437,958.78
Balance, June 30, 1940.....		<u><u>\$184,092,227.39</u></u>

# REVENUES, EXPENDITURES, AND CURRENT SURPLUS GENERAL CITY AND COUNTY

For the years ended June 30, 1940 and 1939

## REVENUES

	Year Ended June 30	
	1940	1939
Property taxes:		
Real and personal property .....	\$32,498,710.64	\$33,250,339.85
Penalties on delinquencies .....	98,234.01	101,358.52
	<u>\$32,596,944.65</u>	<u>\$33,351,698.37</u>
Other taxes and licenses:		
Business and vehicle licenses.....	\$ 279,035.15	\$ 301,750.52
Franchise taxes .....	803,052.78	337,840.21
Building permits, etc. ....	172,197.90	156,466.15
	<u>\$ 1,254,285.83</u>	<u>\$ 796,056.88</u>
Received through State of California, details on page 27 .....	<u>\$12,292,525.02</u>	<u>\$11,370,122.31</u>
Other revenues:		
Departmental revenues, details annexed....	\$ 1,844,644.93	\$ 1,764,644.89
Contributions from Water Department.....	902,898.00	990,826.00
Court fines .....	265,138.73	164,094.51
Federal grants .....	.....	7,451.01
Cash transferred from capital funds.....	93,229.55	270,296.58
Rents .....	17,235.11	18,032.80
Interest earned .....	33,631.35	34,384.56
Miscellaneous, net .....	.....	148,484.73
	<u>\$ 3,156,777.67</u>	<u>\$ 3,398,215.08</u>
Total revenues .....	<u>\$49,300,533.17</u>	<u>\$48,916,092.64</u>

## EXPENDITURES

Departmental expenses, details annexed.....	\$37,731,648.47	\$36,454,440.69
Bond redemption .....	2,865,100.00	2,925,100.00
Bond interest .....	1,992,705.17	2,113,474.87
Other interest .....	84,481.92	49,659.11
Pensions and compensation insurance.....	2,455,250.31	2,393,309.71
Judgments and losses .....	71,861.02	86,523.69
Publicity and advertising .....	332,820.41	285,883.64
Contributions to public service enterprises:		
Hetch Hetchy project .....	1,007,944.00	2,643,091.50
Airport .....	237,737.30	194,747.89
Capital additions from revenues.....	1,046,070.03	1,604,530.68
Special contribution as sponsor to P. W. A. School and Hospital construction funds.....	267,107.69	1,456,020.48
Miscellaneous, net .....	324,464.11	.....
Total expenditures .....	<u>\$48,417,190.43</u>	<u>\$50,206,782.26</u>
Net revenues or expenditures.....	\$ 883,342.74	\$ 1,290,689.62*
Current surplus from preceding year.....	4,976,434.90	6,267,124.52
Current surplus at close of year.....	<u>\$ 5,859,777.64</u>	<u>\$ 4,976,434.90</u>

\*Funded from current surplus in accordance with budget provisions.



# DEPARTMENTAL REVENUES—GENERAL CITY AND COUNTY

For the years ended June 30, 1940 and 1939

	Year Ended June 30	
	1940	1939
General government:		
County Clerk .....	\$ 96,311.08	\$ 93,180.50
Municipal Courts .....	64,811.90	69,300.15
Sheriff .....	34,042.57	36,848.23
City Engineer .....	11,410.65	17,957.74
Treasurer .....	14,032.29	15,011.46
Registrar .....	2,846.55	1,388.74
Other .....	13,540.11	5,621.34
	<u>\$ 236,995.15</u>	<u>\$ 239,308.16</u>
Protection of life and property:		
Recorder .....	\$ 119,830.40	\$ 119,107.62
Department of Electricity .....	84,977.40	96,144.43
Public Administrator .....	58,012.04	60,274.99
Public Pound .....	4,263.75	2,789.80
Fire Department .....	6,402.83	6,080.53
Police Department .....	12,797.08	1,408.84
Agricultural Commission .....	9,732.86	9,325.43
	<u>\$ 296,016.36</u>	<u>\$ 295,131.64</u>
Education:		
Schools .....	\$ 225,559.64	\$ 192,813.21
Library .....	22,420.95	22,378.64
	<u>\$ 247,980.59</u>	<u>\$ 215,191.85</u>
Recreation:		
Park Commission .....	\$ 408,342.11	\$ 405,268.68
Recreation Commission .....	63,307.30	55,833.08
Auditorium .....	48,531.30	58,445.03
War Memorial and Opera House .....	49,141.18	41,659.13
Art Commission .....	50,532.70	54,787.15
De Young Museum .....	2,889.74	252.44
California Palace of Legion of Honor .....	5,846.85	2,368.03
	<u>\$ 628,591.18</u>	<u>\$ 618,613.54</u>
Charities, hospitals, and corrections:		
Juvenile Detention Home .....	\$ 55,747.05	50,303.95
Board of U. S. Prisoners .....	7,690.40	11,233.60
San Francisco Hospital .....	26,668.71	34,039.98
Relief Home .....	5,966.31	6,664.21
Other .....	16,364.16	16,009.86
	<u>\$ 112,436.63</u>	<u>\$ 118,251.60</u>
Other:		
Department of Health, Central Office .....	\$ 192,889.55	\$ 181,416.45
Department of Public Works, Highways .....	109,126.53	87,691.56
General and miscellaneous .....	20,608.94	9,040.09
	<u>\$ 322,625.02</u>	<u>\$ 278,148.10</u>
Total departmental revenues .....	<u>\$1,844,644.93</u>	<u>\$1,764,644.89</u>

## DEPARTMENTAL EXPENSES—GENERAL CITY AND COUNTY

For the years ended June 30, 1940 and 1939

	Year Ended June 30	
	1940	1939
General government:		
Board of Supervisors.....	\$ 58,301.11	\$ 77,431.29
Clerk of Board of Supervisors.....	42,008.22	38,120.44
Mayor .....	61,185.35	64,262.30
Chief Administrative Officer.....	24,428.93	27,887.27
Controller .....	272,785.78	258,246.55
Treasurer .....	55,720.27	55,777.58
Assessor .....	245,435.65	230,777.29
Tax Collector .....	143,242.55	150,504.15
City Attorney .....	79,992.11	82,514.94
District Attorney .....	112,816.16	118,360.25
Public Defender .....	19,346.55	19,407.85
Director of Finance and Records.....	7,942.20	7,986.31
Department of Public Works.....	67,207.40	67,867.00
City Engineer .....	279,602.20	258,083.13
Civil Service Commission.....	70,080.91	71,298.79
City Planning Commission.....	17,501.94	17,152.85
Central Permit Bureau.....	18,098.40	18,092.28
Board of Permit Appeals.....	8,049.49	8,020.64
Real Estate Department.....	17,518.89	20,198.77
Other general executives.....	33.92	302.30
Municipal Courts .....	265,573.54	239,557.48
Superior Courts .....	257,738.45	234,112.81
County Clerk .....	136,679.81	133,179.43
Law Library .....	11,867.61	11,785.00
Grand Jury .....	3,927.44	10,816.00
Coroner .....	58,907.35	59,535.44
Sheriff .....	167,362.03	162,693.95
Elections .....	278,877.20	388,993.39
Care and maintenance of buildings.....	371,218.58	399,983.60
Rent of leased buildings.....	9,700.00	5,280.00
	<u>\$ 3,163,150.04</u>	<u>\$ 3,238,229.08</u>
Protection of life and property:		
Police Department .....	\$ 3,561,425.65	\$ 3,583,972.10
Fire Department .....	3,437,578.76	3,407,108.72
Recorder .....	96,160.93	97,768.88
Sealer of Weights and Measures.....	20,900.11	20,916.55
Inspection service .....	120,136.62	125,950.14
Department of Electricity.....	170,342.15	183,449.90
Public Pound .....	18,272.19	18,000.00
Public Administrator .....	43,610.29	42,410.68
	<u>\$ 7,468,426.70</u>	<u>\$ 7,479,576.97</u>
Education:		
Schools .....	\$ 9,568,107.03	\$ 9,391,879.53
Libraries .....	384,749.48	403,433.61
	<u>\$ 9,952,856.51</u>	<u>\$ 9,795,313.14</u>

# **DEPARTMENTAL EXPENSES—GENERAL CITY AND COUNTY (Continued)**

	Year Ended June 30	
	1940	1939
<b>Recreation:</b>		
Educational .....	\$ 283,150.00	\$ 294,229.02
Parks .....	903,355.03	890,730.59
Golf links .....	156,526.57	142,040.22
Kezar Stadium .....	18,269.29	17,547.81
Music and celebrations.....	129,410.27	131,211.82
Auditorium .....	53,915.89	56,555.62
War Memorial and Opera House.....	124,822.32	129,365.48
Playgrounds .....	642,384.93	664,016.78
	<u>\$ 2,311,834.30</u>	<u>\$ 2,325,697.34</u>
<b>Charities, hospitals, and corrections:</b>		
General administration .....	\$ 500,895.65	\$ 433,095.56
Relief of needy and unemployed.....	2,261,399.13	2,206,297.55
Relief Home .....	609,538.65	612,752.72
Orphans and half orphans.....	689,816.91	624,306.54
Widows' pensions .....	403,884.92	390,567.82
Hospitals .....	1,920,658.29	1,813,804.47
Insane in hospitals.....	181,234.87	180,960.16
Needy aged .....	4,368,539.19	3,597,510.01
Needy blind .....	297,651.13	242,543.62
County jails .....	233,828.39	226,694.20
Juvenile Detention Home.....	40,043.86	36,591.28
Adult Probation Board.....	26,313.95	27,326.35
Juvenile Court .....	88,765.04	87,595.61
Burial of indigent dead.....	13,426.00	13,342.00
Co-ordinating Council expense.....	7,008.47	1,757.15
	<u>\$11,643,004.45</u>	<u>\$10,495,145.04</u>
<b>Conservation of health:</b>		
General administration .....	\$ 63,604.67	\$ 59,835.77
Statistics .....	17,181.85	17,865.70
Prevention and treatment of contagious diseases	304,122.92	274,286.81
Child life conservation.....	280,955.05	276,469.12
Food regulation and inspection.....	103,229.70	101,507.63
	<u>\$ 769,094.19</u>	<u>\$ 729,965.03</u>
<b>Sanitation:</b>		
Sewers and sewage disposal.....	\$ 394,850.21	\$ 359,264.59
Street cleaning .....	536,522.53	545,636.94
Removing dead animals.....	6,000.00	6,000.00
Inspection service .....	82,089.63	69,891.30
	<u>\$ 1,019,462.37</u>	<u>\$ 980,792.83</u>
<b>Highways:</b>		
Care and maintenance of highways and high- way structures .....	\$ 439,184.34	\$ 457,322.73
Care of streets, roads, and alleys.....	24,371.08	10,404.47
Street lighting .....	749,013.54	751,468.29
	<u>\$ 1,212,568.96</u>	<u>\$ 1,219,195.49</u>
<b>Other:</b>		
Purchasing department .....	\$ 143,366.93	\$ 148,318.93
Administration of public trusts.....	47,884.02	42,206.84
	<u>\$ 191,250.95</u>	<u>\$ 190,525.77</u>
<b>Total departmental expenses.....</b>	<u><u>\$37,731,648.47</u></u>	<u><u>\$36,454,440.69</u></u>

## CITY AND COUNTY OF SAN FRANCISCO

## PUBLIC SERVICE ENTERPRISES

## PROPRIETARY BALANCE SHEET, June 30, 1940

ASSETS:	Total	Water Department	Hatch Hatchy Project	Municipal Railway	Airport	Public Utilities Commission	Electric Power Bureau
Fixed capital .....	\$192,235,662.52	\$71,175,575.80	\$106,083,900.75	\$10,570,788.05	\$4,405,397.92		
Less, allowance for depreciation	38,211,731.98	21,169,479.00	10,289,277.51	6,414,289.58	338,685.89		
	<u>\$154,023,930.54</u>	<u>\$50,006,096.80</u>	<u>\$95,794,623.24</u>	<u>\$4,156,498.47</u>	<u>\$4,066,712.03</u>		
Cash:							
On deposit with treasurer.....	\$ 7,175,141.94	\$ 2,898,468.87	\$ 2,462,940.23	\$1,332,072.99	\$ 382,174.71	\$30,730.70	\$ 8,754.44
Other cash .....	45,043.98	30,000.00	7,343.98	6,500.00	200.00	1,000.00	
Accounts receivable and accrued revenues, less, allowance for un- collectible items .....	1,896,221.18	732,429.83	200,568.05	8,386.68	954,836.62		
Interfund accounts:							
Public service enterprises							
(contra) .....	81,186.76	38,987.57	10,736.55	614.48		26,921.93	3,926.23
General city and county.....	60,514.72	1,943.65	297.88	55,886.11	2,387.08		
Deferred charges .....	1,395,081.16	316,291.42	320,187.47	701,524.45	48,281.20		8,796.62
	<u>\$164,677,120.28</u>	<u>\$54,024,218.14</u>	<u>\$98,796,697.40</u>	<u>\$6,321,483.18</u>	<u>\$5,454,591.64</u>	<u>\$58,652.63</u>	<u>\$21,477.29</u>
LIABILITIES:							
Bonded debt .....	\$106,356,400.00	\$38,880,000.00	\$63,611,000.00	\$1,300,400.00	\$2,505,000.00		
Bond interest payable .....	2,299,844.35	828,615.83	1,439,544.36	16,924.16	14,760.00		
Accounts payable .....	934,297.85	271,125.58	83,093.79	507,077.90	60,766.02	\$ 9,881.82	\$ 2,352.74
Interfund accounts:							
Public service enterprises							
(contra) .....	81,186.76		25,737.78	18,358.34	9,919.56	24,778.09	2,392.99
General city and county.....	827,428.18	434,371.10	221,889.40	146,181.80	8,254.32		16,731.56
Deferred credits and reserves.....	452,866.38	318,158.85	14,412.93	96,098.55	203.33	23,992.72	
	<u>\$110,952,023.52</u>	<u>\$40,732,271.36</u>	<u>\$65,395,678.26</u>	<u>\$2,085,040.75</u>	<u>\$2,658,903.23</u>	<u>\$58,652.63</u>	<u>\$21,477.29</u>
SURPLUS:							
Detailed statements annexed.....	53,725,096.76	13,291,946.78	33,401,019.14	4,236,442.43	2,795,688.41		
	<u>\$164,677,120.28</u>	<u>\$54,024,218.14</u>	<u>\$98,796,697.40</u>	<u>\$6,321,483.18</u>	<u>\$5,454,591.64</u>	<u>\$58,652.63</u>	<u>\$21,477.29</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**PUBLIC SERVICE ENTERPRISES**  
**REVENUES, EXPENSES, AND SURPLUS**  
For the year ended June 30, 1940

**REVENUES AND EXPENSES:**

	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Airport
Operating revenues .....	\$13,967,591.54	\$ 7,309,468.62	\$ 2,412,423.25	\$4,180,591.61	\$ 65,108.06
Operating expenses .....	8,980,006.57	3,016,793.06	1,976,254.46	3,848,401.22	138,557.83
	<u>\$ 4,987,584.97</u>	<u>\$ 4,292,675.56</u>	<u>\$ 436,168.79</u>	<u>\$ 332,190.39</u>	<u>\$ 73,449.77</u>
Other revenues:					
Interest earned .....	\$ 27,245.27	\$ 23,569.45	.....	\$ 3,675.82	.....
Rental .....	58,728.78	49,136.29	\$ 9,592.49	.....	.....
Other .....	39,953.66	26,171.87	4,340.05	7,469.12	\$ 1,972.62
	<u>\$ 125,927.71</u>	<u>\$ 98,877.61</u>	<u>\$ 13,932.54</u>	<u>\$ 11,144.94</u>	<u>\$ 1,972.62</u>
Other expenses:					
Bond interest .....	\$ 4,737,827.70	\$ 1,719,423.33	\$ 2,951,321.04	\$ 67,083.33	.....
Other .....	61,079.01	32,956.42	27,744.20	.....	\$ 378.39
	<u>\$ 4,798,906.71</u>	<u>\$ 1,752,379.75</u>	<u>\$ 2,979,065.24</u>	<u>\$ 67,083.33</u>	<u>\$ 378.39</u>
Net profit or loss .....	<u>\$ 314,605.97</u>	<u>\$ 2,639,173.42</u>	<u>\$ 2,528,963.91</u>	<u>\$ 276,252.00</u>	<u>\$ 71,855.54</u>
<b>SURPLUS:</b>					
Balance, June 30, 1939 .....	\$52,806,338.45	\$11,960,986.22	\$34,260,753.01	\$3,954,792.57	\$2,629,806.65
Add:					
Net profit or loss .....	314,605.97	2,639,173.42	2,528,963.91	276,252.00	71,855.54
Contributions from taxes .....	342,783.30	902,898.00	1,007,944.00	.....	237,737.30
Contributions from other funds .....	.....	681,709.64	681,709.64	.....	.....
Other additions or deductions, net .....	261,369.04	276,394.78	20,123.60	5,397.86	.....
Balance, June 30, 1940 .....	<u>\$53,725,096.76</u>	<u>\$13,291,946.78</u>	<u>\$33,401,019.14</u>	<u>\$4,236,442.43</u>	<u>\$2,795,688.41</u>

# SUMMARY OF PROPERTIES

June 30, 1940

## General City and County:

### General government:

Civic Center, including City Hall.....	\$ 8,863,317.18	\$	2,235,954.63	\$	4,094,421.00	\$	2,532,941.55
Hall of Justice .....	1,309,259.23		368,770.00		909,497.38		30,991.85

### Protection of life and property:

Fire Department .....	12,372,019.34		627,598.73		8,722,888.18		3,021,532.43
Police Department .....	2,071,637.66		390,624.30		1,058,434.56		622,578.80
Department of Electricity .....	870,979.07		44,000.00		722,558.40		104,420.67

### Conservation of health:

San Francisco Health Farm.....	566,655.81		29,442.00		466,327.26		70,886.55
Civic Center Health Building.....	936,834.87		150,000.00		711,230.81		75,604.06
Excelsior Health Center.....	85,308.54		14,560.00		66,618.18		4,130.36

### Sanitation:

Sewers .....	21,400,596.62		84,643.40		21,230,187.42		85,765.80
Street Cleaning Department.....	296,243.11						296,243.11
Garbage Incinerators .....	130,142.60		65,000.00		65,142.60		

### Highways:

Streets, tunnels, bridges, etc.....	60,990,132.77		6,372,343.08		54,617,753.19		36.50
Asphalt plant .....	289,298.52		15,070.11		105,492.82		168,736.59

General City and County—(Continued):

Charities and corrections:

San Francisco Hospital.....	5,910,054.13	695,579.60	4,513,967.31	700,507.22
Other Health Department properties.....	713,385.26	164,583.06	280,815.72	267,986.48
Laguna Honda Home.....	3,755,574.47	30,000.00	3,225,326.67	500,247.80
County Jail .....	857,067.38	46,453.32	797,981.48	12,632.58
Juvenile Detention Home.....	207,272.93	10,310.00	174,079.41	22,883.52

Education:

Schools .....	45,480,451.44	9,940,670.86	32,250,347.76	3,289,432.82
Libraries .....	3,438,135.19	392,710.00	1,278,925.22	1,766,499.97

Recreation:

Parks and squares.....	25,356,929.93	19,766,903.47	5,251,726.84	338,299.62
Swimming pool and playgrounds.....	5,217,538.80	3,011,813.06	2,065,146.41	150,579.33
Golf links.....	389,561.68	.....	389,561.68	.....
Kezar Stadium .....	782,753.05	95,645.30	687,107.75	.....
Museums and art galleries.....	691,502.64	.....	489,884.09	201,618.55
War Memorial and Opera House.....	5,405,278.39	463,187.20	4,789,445.16	152,646.03
Auditorium .....	2,282,976.78	701,437.00	1,513,212.98	68,326.80

Other:

Yerba Buena Shoals—Airport.....	3,962,425.75	.....	3,962,425.75	.....
Central warehouse and corporation yard.....	284,283.34	163,843.17	111,958.72	8,481.45
Miscellaneous .....	434,433.02	221,152.31	163,066.09	50,214.62
	<u>\$215,352,049.50</u>	<u>\$ 46,102,294.60</u>	<u>\$154,705,530.84</u>	<u>\$ 14,544,224.06</u>

Work in progress:

Total General City and County properties.....	8,081,819.78			
Public Service Enterprises.....	\$223,433,869.28			
Total properties .....	<u>\$192,235,662.52</u>			
	\$415,669,531.80			

# BONDED INDEBTEDNESS

For the year ended June 30, 1940

## General City and County:

Issue of June 30, 1904, 3½ per cent:

	Outstanding June 30, 1939	Sold	Redeemed	Outstanding June 30, 1940
Golden Gate Park and Presidio Extension.....	\$ 49,200	.....	\$ 8,200	\$ 41,000
Library .....	246,600	.....	41,100	205,500
Mission Park .....	43,800	.....	7,300	36,500
Playgrounds .....	111,000	.....	18,500	92,500

Issue of July 1, 1908, 5 per cent:

Fire protection .....	2,210,000	.....	130,000	2,080,000
Sewer .....	1,600,000	.....	100,000	1,500,000

Miscellaneous, 4½ per cent:

School .....	March 1, 1918	.....	144,000	382,000
Memorial Halls .....	July 1, 1927	.....	200,000	2,400,000
Bernal Cut .....	July 1, 1927	.....	70,000	840,000
Boulevard .....	November 1, 1927	.....	469,000	5,628,000
Sewer .....	January 1, 1929	.....	100,000	1,500,000
Hospital .....	January 1, 1929	.....	175,000	2,275,000
County Jail .....	January 1, 1931	.....	50,000	600,000
Playgrounds .....	February 1, 1931	.....	8,000	160,000
Boulevards and Roads.....	February 1, 1931	.....	36,000	720,000
Parks and Squares.....	February 1, 1931	.....	56,000	1,120,000



General City and County—(Continued):

Miscellaneous, 5 per cent:

Exposition .....	May 1, 1912	101,000	.....	96,000	5,000
City Hall and Civic Center.....	July 1, 1912	4,400,000	.....	198,000	4,202,000
School ... ..	March 1, 1923	8,400,000	.....	295,000	8,105,000
Relief Home .....	March 1, 1923	800,000	.....	100,000	700,000

Relief Bonds, September 1, 1932:

4 to 5 per cent.....	.....	4,874,000	.....	542,000	4,332,000
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Public Works Projects:

Sewers, 4 per cent.....	December 1, 1933	1,996,000	.....	81,000	1,915,000
High Pressure System, 3 per cent.....	December 1, 1933	1,500,000	.....	100,000	1,400,000
Schools, 3 per cent.....	January 1, 1934	1,500,000	.....	300,000	1,200,000
Schools, 1¼ to 2 per cent.....	December 1, 1938	1,943,000	\$ 577,000	.....	2,520,000
Hospitals, 1¼ to 2 per cent.....	January 1, 1938	1,256,000	164,000	140,000	1,280,000
Total General City and County.....	\$ 47,963,600		\$ 741,000	\$ 3,465,100	\$ 45,239,500

Public Service Enterprises:

Detailed schedule annexed.....	109,280,200	1,245,000	4,168,800	106,356,400
Total bonded indebtedness.....	\$157,243,800	\$1,986,000	\$7,633,900	\$151,595,900

# BONDED INDEBTEDNESS — PUBLIC SERVICE ENTERPRISES

For the year ended June 30, 1940

## Hetch Hetchy Water and Power Project:

	Outstanding June 30, 1939	Sold	Redeemed	Outstanding June 30, 1940
July 1, 1910, 4½ per cent.....	\$ 26,006,000	.....	\$1,005,000	\$ 25,001,000
January 1, 1925, 5 per cent.....	7,500,000	.....	250,000	7,250,000
July 1, 1928, 4½ per cent.....	23,402,000	.....	602,000	22,800,000
June 1, 1932, 2¾ to 5¼ per cent.....	6,300,000	.....	190,000	6,110,000
December 1, 1933, 4 per cent.....	2,625,000	.....	175,000	2,450,000
	<u>\$ 65,833,000</u>	.....	<u>\$2,222,000</u>	<u>\$ 63,611,000</u>

## Water Department:

Spring Valley Water, July 1, 1928, 4½ per cent.....	\$ 32,002,000	.....	\$ 998,000	\$ 31,004,000
Water Distribution, December 1, 1933, 4 per cent.....	8,439,000	.....	563,000	7,876,000
	<u>\$ 40,441,000</u>	.....	<u>\$1,561,000</u>	<u>\$ 38,880,000</u>

## Municipal Railway:

December 1, 1913, 5 per cent.....	\$ 1,401,200	.....	\$ 100,800	\$ 1,300,400
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## Airport:

January 1, 1938, 1½ to 2 per cent.....	\$ 1,605,000	\$1,245,000	\$ 285,000	\$ 2,565,000
Total bonded indebtedness of Public Service Enterprises.....	<u>\$109,280,200</u>	<u>\$1,245,000</u>	<u>\$4,168,800</u>	<u>\$106,356,400</u>

## SCHEDULE OF BOND REDEMPTION

Based on Bonds Outstanding June 30, 1940

Maturity	Grand Total	General City and County	Public Service Enterprises				
			Total	Hetch Hetchy	Water Department	Municipal Railway	Airport
Matured, unpaid .....	\$ 134,500	\$ 119,100	\$ 15,400	\$ 11,000	\$ 4,000	\$ 400	.....
1940-41 .....	7,880,100	3,707,100	4,173,000	2,225,000	1,563,000	100,000	\$ 285,000
1941-42 .....	7,880,100	3,707,100	4,173,000	2,225,000	1,563,000	100,000	285,000
1942-43 .....	7,705,100	3,532,100	4,173,000	2,225,000	1,563,000	100,000	285,000
1943-44 .....	7,705,100	3,532,100	4,173,000	2,225,000	1,563,000	100,000	285,000
1944-45 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1945-46 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1946-47 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1947-48 .....	7,226,000	3,053,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1948-49 .....	6,528,000	2,355,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1949-50 .....	5,963,000	2,075,000	3,888,000	2,225,000	1,563,000	100,000	.....
1950-51 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1951-52 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1952-53 .....	5,173,000	1,285,000	3,888,000	2,225,000	1,563,000	100,000	.....
1953-54 .....	4,892,000	1,110,000	3,782,000	2,225,000	1,557,000	.....	.....
1954-55 .....	4,060,000	1,010,000	3,050,000	2,050,000	1,000,000	.....	.....
1955-56 .....	3,860,000	810,000	3,050,000	2,050,000	1,000,000	.....	.....
1956-57 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1957-58 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1958-59 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1959-60 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1960-61 .....	3,630,000	580,000	3,050,000	2,050,000	1,000,000	.....	.....
1961-62 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1962-63 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1963-64 .....	3,415,000	365,000	3,050,000	2,050,000	1,000,000	.....	.....
1964-65 .....	3,350,000	300,000	3,050,000	2,050,000	1,000,000	.....	.....
1965-66 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1966-67 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1967-68 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1968-69 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1969-70 .....	1,800,000	.....	1,800,000	800,000	1,000,000	.....	.....
1970-71 .....	1,700,000	.....	1,700,000	700,000	1,000,000	.....	.....
1971-72 .....	600,000	.....	600,000	600,000	.....	.....	.....
1972-73 .....	600,000	.....	600,000	600,000	.....	.....	.....
1973-74 .....	600,000	.....	600,000	600,000	.....	.....	.....
1974-75 .....	600,000	.....	600,000	600,000	.....	.....	.....
1975-76 .....	600,000	.....	600,000	600,000	.....	.....	.....
1976-77 .....	600,000	.....	600,000	600,000	.....	.....	.....
1977-78 .....	600,000	.....	600,000	600,000	.....	.....	.....
	<u>\$151,595,900</u>	<u>\$45,239,500</u>	<u>\$106,356,400</u>	<u>\$63,611,000</u>	<u>\$38,880,000</u>	<u>\$1,300,400</u>	<u>\$2,565,000</u>



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CURRENT FUNDS BALANCE SHEET, June 30, 1940

## NAME OF FUND

Accounts Payable	Total	
\$573,292.98	\$4,380,930.01	General Fund
159,702.20	779,318.35	Unified School District
79,785.96	166,907.66	Park
14,577.14	44,840.24	Library
20,791.02	119,260.88	Recreation
4,603.96	8,142.97	De Young Memorial Museum
2,595.92	10,049.08	California Palace Legion of Honor
6,852.71	31,566.27	Publicity and Advertising
355,577.95	31,566.27	Bond Interest and Redemption
170,963.74	103,235.58	Firemen's Relief and Pension
103,235.58	167,930.42	Police Relief and Pension
167,930.42	50,981.36	Auditorium
50,981.36	40,277.17	Employees' Retirement System
40,277.17	28,441.78	Tax Judgments
28,441.78	704,493.79	War Memorial
49,856.51	704,493.79	County Roads
36,030.83	1,347,295.21	Gas Tax Street Improvement
	3,870,956.81	Cash Reserve
	3,844.34	Department of Electricity (Installation)
1,847.92	22,132.38	Special Election
	52,203.07	Emergency Reserve
	9,759.40	Tax Anticipation Notes (Interest)
	103,008.20	State Unemployment Relief Loan
	18,723.73	State Unemployment Relief Loan (Interest)
	12,567.19	Embarcadero Widening
1.29	359.14	Fire Department Building
	1,782,869.30	Assessor, Personal Property Taxes
	998.27	Tax Collector, Taxes
	998.27	Delinquent Tax Installments
	9,199.43	Unapportioned Bank Interest
	157.09	Golden Gate Bridge and Highway District
\$952,089.51	\$13,512,731.33	

## ASSETS

Available Cash	Accounts Receivable	Interfund Accounts	Total
\$1,832,195.77	\$1,196,092.10	\$4,380,930.01	\$4,380,930.01
609,404.70	164,911.15	5,002.50	779,318.35
127,680.77	28,916.95	10,309.94	166,907.66
33,111.53	11,728.71		44,840.24
102,229.74	17,021.14		119,260.88
5,772.05	2,370.92		8,142.97
7,816.90	2,207.18	25.00	10,049.08
156,544.71	199,033.24		355,577.95
171,700.28	736.54		170,963.74
103,235.58			103,235.58
167,930.42			167,930.42
50,981.36			50,981.36
37,745.44	2,531.73		40,277.17
26,004.24	2,437.54		28,441.78
199,809.37	469,798.11	34,886.31	704,493.79
1,175,310.50	171,984.71		1,347,295.21
1,071,531.95		2,799,374.86	3,870,956.81
3,844.34			3,844.34
21,508.41	623.97		22,132.38
17,744.52		34,458.56	52,203.07
9,268.86	490.54		9,759.40
103,008.20			103,008.20
18,723.73			18,723.73
12,567.19			12,567.19
359.14			359.14
1,782,869.30			1,782,869.30
998.27			998.27
80,812.05	80,812.05		9,199.43
157.09			157.09
\$6,577,005.15	\$2,249,026.88	\$4,686,699.30	\$13,512,731.33



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CURRENT FUNDS BALANCE SHEET, June 30, 1940

ASSETS				NAME OF FUND		
	Accounts Receivable	Interfund Accounts	Total		Total	Accounts Payable
\$1,196,092.10	\$1,196,092.10	\$1,802,642.14	\$ 4,380,930.01	General Fund .....	\$ 4,380,930.01	\$573,292.98
164,911.15	164,911.15	5,002.50	779,318.35	Unified School District.....	779,318.35	159,702.20
28,916.95	28,916.95	10,309.94	166,907.66	Park .....	166,907.66	79,785.96
11,728.71	11,728.71	.....	44,840.24	Library .....	44,840.24	14,577.14
17,021.14	17,021.14	.....	119,260.88	Recreation .....	119,260.88	20,791.02
2,370.92	2,370.92	.....	8,142.97	De Young Memorial Museum.....	8,142.97	4,603.96
2,207.18	2,207.18	25.00	10,049.08	California Palace Legion of Honor.....	10,049.08	2,595.92
7,815.95	7,815.95	.....	31,566.27	Publicity and Advertising.....	31,566.27	6,852.71
199,033.24	199,033.24	.....	355,577.95	Bond Interest and Redemption.....	355,577.95	.....
736.54	736.54	.....	170,963.74	Firemen's Relief and Pension.....	170,963.74	.....
.....	.....	.....	103,235.58	Police Relief and Pension.....	103,235.58	.....
.....	.....	.....	167,930.42	Auditorium .....	167,930.42	.....
50,981.36	50,981.36	.....	50,981.36	Employees' Retirement System.....	50,981.36	.....
2,531.73	2,531.73	.....	40,277.17	Tax Judgments .....	40,277.17	.....
2,437.54	2,437.54	.....	28,441.78	War Memorial .....	28,441.78	2,151.07
469,798.11	469,798.11	34,886.31	704,493.79	County Roads .....	704,493.79	49,856.51
171,984.71	171,984.71	.....	1,347,295.21	Gas Tax Street Improvement.....	1,347,295.21	36,030.83
.....	.....	2,799,374.86	3,870,956.81	Cash Reserve .....	3,870,956.81	.....
.....	.....	.....	3,844.34	Department of Electricity (Installation) .	3,844.34	1,847.92
623.97	623.97	.....	22,132.38	Special Election .....	22,132.38	.....
.....	.....	.....	.....	.....	.....	.....





GENERAL CITY AND COUNTY OF DENVER  
CAPITAL FUNDS BALANCE SHEET, June 30, 1940

## LIABILITIES AND SUR

NAME OF FUND	
Bernal Cut	\$ 18,144.46
Boulevards	\$ 226,067.19
Hospitals	15,560.87
Sewers	3,497.34
Parks and Squares	2,159.68
Sewers	31,581.02
High Pressure System	68.69
Hospital	726,116.87
School	980,164.05
P. W. A. School	2,311,124.42
Land Purchases	15,719.29
Total	\$4,330,592.68
Accounts Payable	\$ 18,144.46
Interfund Accounts	2,715.30
	2,706.06
	4,095.28
	11.00
	287,427.44
	895,767.00
	91.00
	3,313,949.75
	376,905.00
	1,143,425.81
	\$1,696,856.21
	\$4,330,592.68

ASSETS

Available Cash	Interfund Accounts	Federal Grants	Total
\$ 18,144.46		\$	\$ 18,144.46
226,067.19			226,067.19
15,960.87			15,960.87
3,497.34			3,497.34
2,169.68			2,169.68
31,581.02			31,581.02
68.59			68.59
497,769.37		\$228,346.50	726,115.87
93,524.77	\$886,629.28		980,154.05
1,767,467.34		543,657.08	2,311,124.42
15,719.29			15,719.29
\$2,671,959.82	\$886,629.28	\$772,003.68	\$4,330,592.68



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
SPECIAL AND TRUST FUNDS BALANCE SHEET, June 30, 1940

## ASSETS

Accounts Receivable	Investment Securities	Interfund Accounts	Total
\$ 32,944.00			\$ 32,944.00
2,801.79			2,801.79
2,998.12			2,998.12
508.50			508.50
200.00			200.00
430.00			430.00
52,829.95			52,829.95
51,207.73			51,207.73
8,044.98			8,044.98
26,438.48			26,438.48
2,707.50			2,707.50
4,749.43			4,749.43
2,465.12			2,465.12
15,497.16			15,497.16
18,828.85			18,828.85
13,571.59		\$ 223.92	13,571.59
466.99			466.99
5,230.16			5,230.16
8,977.64			8,977.64
17,463.95			17,463.95
155.06			155.06
12,234.74			12,234.74
2,282.39			2,282.39
159.19			159.19
14.33			14.33
831.60			831.60
18,510.00			18,510.00
82,447.88			82,447.88
118.25			118.25
\$384,891.46		\$ 223.92	\$385,115.38
2,701.43			\$ 2,701.43
141.69			141.69
9,419.04			9,419.04
\$ 606.97			606.97
8.74			8.74
\$ 12,262.16	\$ 615.71		\$ 12,877.87

## NAME OF FUND

NAME OF FUND	Total	Accounts Payable	Interfund Accounts	Unapplied Balances
Private Trusts:				
Special Permits	\$ 32,944.00	\$ 1,880.00		\$ 31,064.00
Tearing up Streets	2,801.79			2,801.79
Street Improvement	2,998.12			2,998.12
Excavation	508.50			508.50
House Moving	200.00	75.00		125.00
Special Badges	430.00	10.00		420.00
County Clerk Special	52,829.95			52,829.95
County Clerk Bail	51,207.73			51,207.73
Municipal Court Special	8,044.98			8,044.98
Municipal Court Bail	26,438.48			26,438.48
Realty Deposits	2,707.50			2,707.50
Absent Heirs	4,749.43			4,749.43
Absent Creditors	2,465.12			2,465.12
Duplicate Taxes	15,497.16			15,497.16
Twin Peaks Tunnel Refunds	18,828.85			18,828.85
Sunset Tunnel Refunds	13,571.59			13,571.59
Bank Receiver's Deposits	466.99			466.99
Coroner's Unclaimed Money	5,230.16			5,230.16
Adult Probation Officer	8,977.64	385.37		8,592.27
School Teachers' Sabbatical Leave	17,463.95			17,463.95
Library Card Deposits	155.06	55.00		100.06
Jail Stores Deposits	12,234.74	245.55	\$ 122.94	11,866.25
Juvenile Court Deposits	2,282.39			2,282.39
California Palace Legion of Honor	159.19			159.19
De Young Memorial Museum	14.33			14.33
Police Department Deposits	831.60	76.00		755.60
Electrical Deposits	18,510.00			18,510.00
Health Service	82,447.88	153.50	5.00	82,289.38
Automobile Badges	118.25			118.25
	\$385,115.38	\$ 2,880.42	\$ 127.94	\$382,107.02
Assessment and Redemption Funds:				
Consolidated Street Assessment No. 1	\$ 2,701.43			\$ 2,701.43
Consolidated Street Assessment No. 2	141.69			141.69
Consolidated Street Redemption No. 1	9,419.04			9,419.04
Sunset Tunnel Assessment	606.97		\$ 223.92	383.05
Twin Peaks Tunnel Assessment	8.74			8.74
	\$ 12,877.87		\$ 223.92	\$ 12,653.95

(Continued)



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
SPECIAL AND TRUST FUNDS BALANCE SHEET, June 30, 1940 (Continued)

## ASSETS

## LIABILITIES

## NAME OF FUND

Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Total		Total	Accounts Payable	Interfund Accounts	Unapplied Balances
\$ 190,270.86	\$412,876.30	\$26,268,429.19	\$74,020.30	\$26,945,596.65	Public Trusts:				
					Employees' Retirement System.....	\$26,945,596.65	\$ 1,491.40	\$ 2,506.77	\$26,941,598.48
					Bequests:				
11,564.64	840.00	42,000.00	.....	54,404.64	Robinson .....	54,404.64	25.00	.....	54,379.64
337.50	22.50	978.75	.....	1,338.75	Olsen .....	1,338.75	.....	.....	1,338.75
6,999.85	450.00	15,946.95	.....	23,396.80	Windel .....	23,396.80	.....	.....	23,396.80
7,134.64	45.00	2,072.86	.....	9,252.50	Marx .....	9,252.50	.....	.....	9,252.50
2,146.29	112.50	5,379.01	.....	7,637.80	Herzstein .....	7,637.80	.....	.....	7,637.80
9,089.93	446.66	22,966.15	.....	32,502.74	Sharp .....	32,502.74	.....	.....	32,502.74
5,650.98	.....	.....	.....	5,650.98	Phelan .....	5,650.98	.....	.....	5,650.98
109,876.82	169.99	74,247.50	.....	184,294.31	Strybing .....	184,294.31	3,987.09	.....	180,307.22
1,071.74	.....	94.25	.....	1,165.99	Brunetti .....	1,165.99	.....	.....	1,165.99
70.81	.....	.....	.....	70.81	Fallon .....	70.81	.....	.....	70.81
467.42	.....	.....	.....	467.42	Rosenberg .....	467.42	.....	.....	467.42
2,982.40	2,778.83	.....	.....	5,761.23	McLean .....	5,761.23	.....	.....	5,761.23
194.58	.....	.....	.....	194.58	Williams .....	194.58	.....	.....	194.58
245.02	.....	.....	.....	245.02	War Memorial .....	245.02	.....	.....	245.02
3,120.00	.....	.....	.....	3,120.00	Infantile Paralysis .....	3,120.00	.....	.....	3,120.00
357,137.41	7,000.00	.....	.....	364,137.41	State Highway .....	364,137.41	3,905.10	203,529.36	156,702.95
262.84	159.77	15,809.72	.....	16,232.33	Panama Pacific Exposition Scholarship.....	16,232.33	.....	.....	16,232.33
275.47	.....	.....	.....	275.47	P. W. A. Exposition Shows.....	275.47	.....	.....	275.47
<u>\$ 708,899.20</u>	<u>\$424,901.55</u>	<u>\$26,447,924.38</u>	<u>\$74,020.30</u>	<u>\$27,655,745.43</u>		<u>\$27,655,745.43</u>	<u>\$ 9,408.59</u>	<u>\$206,036.13</u>	<u>\$27,440,300.71</u>
\$ 706.39	.....	.....	\$ 650.33	\$ 1,356.72	Other Special and Trust Funds:				
60,215.57	.....	.....	.....	60,215.57	State of California (sales and use tax).....	\$ 1,356.72	.....	.....	\$ 1,356.72
6,536.30	.....	.....	.....	6,536.30	Inheritance Taxes .....	60,215.57	.....	.....	60,215.57
2,059.00	.....	.....	.....	2,059.00	School Teachers' Permanent Fund.....	6,536.30	.....	.....	6,536.30
55.53	.....	.....	85.22	140.75	Law Library .....	2,059.00	.....	.....	2,059.00
2,104.35	.....	.....	.....	2,104.35	Golden Gate Bridge and Highway District.....	140.75	.....	.....	140.75
143.15	.....	.....	.....	143.15	Consumers' Use Taxes.....	2,104.35	.....	.....	2,104.35
4,052.26	.....	.....	.....	4,052.26	Teachers' Annuity Deposit.....	143.15	.....	.....	143.15
.....	\$ 16,573.77	.....	.....	16,573.77	State Fund—County Fair.....	4,052.26	\$ 1,383.60	.....	2,668.66
					San Francisco Housing Authority.....	16,573.77	.....	\$ 16,573.77	.....
					Islais Creek Reclamation District:				
388.03	.....	.....	.....	388.03	Assessment .....	388.03	.....	.....	388.03
78,272.31	.....	.....	.....	78,272.31	General .....	78,272.31	.....	.....	78,272.31
33,545.20	.....	.....	.....	33,545.20	Interest .....	33,545.20	.....	.....	33,545.20
2,000.00	.....	.....	.....	2,000.00	Redemption .....	2,000.00	.....	.....	2,000.00
<u>\$ 190,078.09</u>	<u>\$ 16,573.77</u>	<u>.....</u>	<u>\$ 735.55</u>	<u>\$ 207,387.41</u>		<u>\$ 207,387.41</u>	<u>\$ 1,383.60</u>	<u>\$ 16,573.77</u>	<u>\$ 189,430.04</u>
<u>\$1,296,130.91</u>	<u>\$442,091.03</u>	<u>\$26,447,924.38</u>	<u>\$74,979.77</u>	<u>\$28,261,126.09</u>	Total Special and Trust Funds.....	<u>\$28,261,126.09</u>	<u>\$13,672.61</u>	<u>\$222,961.76</u>	<u>\$28,024,491.72</u>





## LIABILITIES AND SURPLUS

NAME OF FUND	Total	Accounts Payable	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations
<b>Current funds:</b>					
Municipal Railway:					
Operating .....	\$ 898,177.48	\$ 303,192.57	\$ 167,492.88	\$ 9,821.73	\$ 417,670.30
Reconstruction and Replacement..	383,872.51	90,758.03	15,542.03	.....	277,572.45
Accident Reserve .....	317.50	.....	.....	317.50	.....
Water Department:					
Revenue .....	1,172,913.83	56,139.02	475,124.93	477,411.43	164,238.45
Reconstruction and Replacement..	167,233.76	.....	39,190.95	856.86	127,185.95
Extension Reserve .....	299,206.79	27,925.12	92,919.59	1,341.58	177,020.50
Hetch Hetchy:					
Power Operative .....	295,026.33	8,820.19	214,162.39	51,685.48	20,358.27
Reconstruction and Replacement..	274,808.40	1,028.35	4,934.35	145,959.35	122,886.35
Water Supply .....	152,699.17	6,936.12	118,645.78	284.42	26,832.85
Airport .....	38,904.86	1,658.71	4,028.29	33,167.86	50.00
Public Utilities Commission.....	64,065.52	4,445.13	27,947.17	8,017.34	23,655.88
Electric Power Bureau.....	23,732.11	77.20	19,238.32	.....	4,416.59
Bond Interest and Redemption.....	3,441,250.00	3,441,250.00	.....	.....	.....
	<u>\$7,212,208.26</u>	<u>\$3,942,230.44</u>	<u>\$1,179,226.68</u>	<u>\$728,863.55</u>	<u>\$1,361,887.59</u>
<b>Capital funds:</b>					
Water Department:					
1933 Water Distribution.....	\$ 5,815.95	.....	.....	\$ 5,815.95	.....
Land Purchase .....	44,078.52	.....	.....	43,576.65	\$ 501.87
Hetch Hetchy:					
1932 Hetch Hetchy.....	97,929.97	\$ 2,057.94	\$ 8,632.85	24,074.88	63,164.30
1933 Hetch Hetchy Dam.....	4,700.16	.....	2,000.00	.....	2,700.16
Land Purchase .....	1,302.50	.....	.....	1,302.50	.....
Airport:					
1938 Bonds .....	1,295,731.62	54,345.38	10,920.45	3,160.55	1,227,305.24
	<u>\$1,449,558.72</u>	<u>\$ 56,403.32</u>	<u>\$ 21,553.30</u>	<u>\$ 77,930.53</u>	<u>\$1,293,671.57</u>
<b>Trust funds:</b>					
Water Department Deposits.....	\$ 126,835.84	\$ 126,263.93	\$ 571.91	.....	.....
	<u>\$8,788,602.82</u>	<u>\$4,124,897.69</u>	<u>\$1,201,351.89</u>	<u>\$806,794.08</u>	<u>\$2,655,559.16</u>





**Treasurer's Office**  
**Report on Examination of Accounts**  
**For the Fiscal Year Ended June 30, 1940**

(Wherever italic figures appear in this Report, they indicate red figures)



## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CONTROLLER

September 10, 1940.

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

## TREASURER'S OFFICE

## Report of Annual Audit—June 30, 1940

Dear Sir:

In accordance with your instructions and pursuant to the provisions of Charter Section 66, an audit was made of the Treasurer's office for the fiscal year ended June 30, 1940, as hereinafter reported. As directed by you, two reports have been prepared of this audit, as follows:

- (1) One report for publication in the Controller's Annual Report for the fiscal year ending June 30, 1940, the text of which follows.
- (2) One report substantially identical with the above, supplemented by twelve detailed schedules and an appendix containing a digest of changes in laws affecting the Treasurer. This report was distributed to City officials, the Grand Jury, the press and to the certified public accounting firms engaged this year by the City and County of San Francisco.

## Scope of Audit

The scope of the audit covered an examination of accounts of money received and disbursed by the Treasurer during the fiscal year. In view of the existing method of internal check maintained in the Treasurer's office, and the method of internal check and continuous audit of receipts and disbursements maintained by the Controller's office which has as a basis a separate independent examination, a detailed audit of receipts and disbursements during the period was not included within the scope of this examination.

Cash on hand was verified July 8, 1940, by actual count. Cash in banks was confirmed direct to this office by the several depositories. Reconciliation of the total cash verified July 8, 1940, was made with the amount charged to the Treasurer by the Controller on June 30, 1940.

Securities and other assets in the Treasurer's custody on June 30, 1940, were verified by examination as hereinafter reported.

Revenues and expenditures in connection with the operation of the Treasurer's office during the fiscal year were verified and confirmed against the Controller's records. Comparison reflected revenues and expenditures to be substantially the same as 1938-1939.

Mr. David Supple, Secretary-Attendant to the Grand Jury, participated in this examination.

## Summary

A resume of transactions during the fiscal year as reflected by the audit, is as follows:

Cash on hand, June 30, 1940.....	\$ 19,380,854.65
Cash received during fiscal year.....	79,034,355.19
Cash disbursed .....	83,651,515.20
Total cash handled.....	162,685,870.39
Interfund and departmental accounts.....	100,598,523.59
Interest earned on inactive deposits.....	52,327.85
Tax anticipation notes sold and redeemed.....	8,000,000.00
Inheritance tax collected.....	1,758,952.51
Commissions and fees earned for the collection of inheritance tax .....	13,221.31

The collection of inheritance tax is a state function and the commissions and fees earned are deposited to the credit of the General Fund.

The operation of PWA Accounts is under the supervision and audit of the Federal Government. Funds on hand with the Treasurer are deposited with the Bank of America in a separate bank account. Reconciliation of the Treasurer's bank balance was made with the Controller's records; adjusted balances in the project accounts as at June 30, 1940, are reflected as follows:

1933 Sewer .....	\$ 31,581.02
1933 High Pressure.....	68.59
1938 Hospital .....	515,333.28
School Docket 1579.....	1,810,419.64
Shoals .....	275.47
Hetch Hetchy Dam 1933.....	24,700.16
Water Distribution 1933.....	5,939.18
	<u>\$2,388,317.34</u>

Stockton Street Tunnel Assessment Fund, created by Ordinance No. 161, N.S., September 6, 1911, reflected a balance on hand June 30, 1939, in the amount of \$5,551.75. This balance remained unclaimed for a period of over ten years. In accordance with Resolution No. 673, Series of 1939, adopted by the Board of Supervisors, November 27, 1939, the amount of \$5,551.75 was transferred to the General Fund of the City and County.

The National City Bank of New York is the designated Fiscal Agent for the City and County of San Francisco in the City and State of New York for the purpose of providing payment in the City of New York of matured bonds and coupons of the City and County of San Francisco. During the fiscal year the Fiscal Agent paid \$3,259,900.00 in bond redemption and \$3,399,437.50 in bond interest.

The Treasurer's office is the depository of funds of the Islais Creek Reclamation District. An audit of the records pertaining to the Islais Creek Reclamation District and the several bequest and trust funds as such was not included within the scope of this assignment.

The records maintained in the Treasurer's office appeared to be in excellent condition, all information desired was made available through the courtesy and cooperation of the Treasurer's staff.

Cash and securities for which the Treasurer was accountable and for which he accounted as at June 30, 1940, and June 30, 1939, are summarized as follows:

### SUMMARY OF CASH AND SECURITIES

	As at June 30	
	1939	1940
<b>CASH:</b>		
Cash on hand.....	\$ 153,965.87	\$ 650,708.03
Bank Balances .....	19,787,192.79	14,969,593.36
Fiscal Agent (New York).....	3,700,198.75	3,415,200.00
Available Cash .....	\$23,641,357.41	\$19,035,501.39
Other Cash Items.....	243,137.03	164,407.82
Cash Received after June 30 applied to prior year .....	113,520.22	180,945.44
<b>TOTAL CASH .....</b>	<u>\$23,998,014.66</u>	<u>\$19,380,854.65</u>
<b>SECURITIES (Par Value):</b>		
Collateral on Bank Balances.....	\$26,642,750.00	\$22,296,000.00
Employees' Retirement Fund Bonds.....	22,019,562.50	24,226,787.50
Bequest Securities .....	107,000.00	102,000.00
Trust Fund Securities.....	15,000.00	15,000.00
<b>TOTAL SECURITIES .....</b>	<u>\$48,784,312.50</u>	<u>\$46,639,787.50</u>
<b>TOTAL CASH AND SECURITIES.....</b>	<u>\$72,782,327.16</u>	<u>\$66,020,642.15</u>

### Authority

Laws governing the operation of the Treasurer's office are outlined in previous annual audit reports. Changes and additions thereto during the fiscal year 1939-1940 are included in the appendix of the report with schedules filed concurrently with this report.

### Cash—\$19,380,854.65

Cash was verified at the close of business July 8, 1940. Reconciliation was made with the amount charged to the Treasurer by the Controller on that date as follows:

#### CASH ON HAND:

1. Coin and Currency.....	\$ 115,138.81	
2. Checks .....	362,666.90	
Total Cash on Hand.....		\$ 477,805.71

#### CASH ON DEPOSIT:

3. Bank Balances (State Law Loans).....	\$11,641,823.31	
4. Fiscal Agent—New York.....	580,280.00	
Total Cash on Deposit.....		12,222,103.31

#### OTHER ITEMS:

5. Bail Bonds .....	43,000.00	
6. Western Registered Interest.....	72,705.75	
7. San Francisco Bonds, Coupons and Registered Interest paid by Fiscal Agent.....	2,834,920.00	

TOTAL CASH AND CASH ITEMS VERIFIED JULY 8, 1940.....	<u>\$15,650,534.77</u>
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BALANCE PER CONTROLLER'S RECORDS—JULY 8, 1940.....	<u>\$15,650,534.77</u>
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The cash count July 8, 1940, is reconciled with the total amount charged to the Treasurer by the Controller June 30, 1940, as follows:

Treasurer's Balance (per above summary).....	\$15,650,534.77
Add: Disbursements—July 1 to 8, incl.....	4,123,543.34
	<u>\$19,774,078.11</u>
Deduct: Receipts—July 1 to 8, incl.....	574,168.90
	<u>\$19,199,909.21</u>
Add: June, 1940, receipts received in July, 1940...	180,945.44
Balance per Controller's records—June 30, 1940....	<u>\$19,380,854.65</u>

The following reconciliation of the amount of outstanding warrants as reflected in the general ledger June 30, 1940, was prepared by the Controller's Division of Accounts and Reports:

Outstanding warrants per Controller's general ledger .....	\$ 1,689,529.49
--	-----------------

Reconciliation of the Controller's available cash and outstanding items recorded in the general ledger as at June 30, 1940, and the Treasurer's balance of cash on hand on that date is as follows:

Per Controller's General Ledger:

Available Cash .....	\$17,219,891.41
Outstanding Items .....	2,160,963.24
Treasurer's Cash on Hand June 30, 1940.....	<u>\$19,380,854.65</u>

The outstanding items indicated above include the following:

	Coupons	Bonds	Warrants	Total
General City .....	\$ 72,637.50	\$119,100.00	\$1,491,922.38	\$1,683,659.88
Public Service Enterprises..	264,296.25	15,400.00	197,607.11	477,303.36
Total.....	<u>\$336,933.75</u>	<u>\$134,500.00</u>	<u>\$1,689,529.49</u>	<u>\$2,160,963.24</u>

1. Coin and Currency—\$115,138.81

Coin and Currency were verified by actual count.

2. Checks—\$362,666.90

Examination indicated that checks on hand were current and received in the usual order of business during the day.

Included in the above is a Treasurer's check in the amount of \$300,000.00, representing a transfer of funds from Bank of America, S. F. Water Account to Bank of America, General Fund Active Account; being a part of \$902,898.00 due General Fund as set up in 1939-40 budget. This check was drawn July 8, 1940, and deposited on the following day and therefore was included with checks on hand at the date of the cash count, July 8, 1940.

The balance is represented by checks in the amount of \$61,223.90 received from various departments for deposit; Treasurer's checks in the amount of \$1,441.00 drawn to clear teller of other than General Fund warrants; and a receipt from the Police Department covering a returned check for \$2.00.

Checks on hand July 8, 1940, in the amount of \$362,664.90 were deposited July 9, 1940, as evidenced by deposit receipts:

#4317 Bank of America.....	\$300,000.00
#4316 Bank of America.....	62,664.90
Total.....	<u>\$362,664.90</u>

The Treasurer's order prohibiting the cashing of personal checks appeared to be effective.

3. Bank Balances (State Law Loans)—\$11,641,823.31

Cash on deposit in banks at the close of business July 8, 1940, was reconciled with Treasurer's balances and confirmed direct by the several depositaries. Schedule A-1, of the report with schedules, indicates the balances of each account, per bank confirmation, as at June 30, 1940, and its status with respect to Public Deposit Acts.

Examination of Treasurer's copies of deposit contracts disclosed that all contracts were signed by the Treasurer and approved by the City Attorney.

#### 4. Fiscal Agent—New York—\$580,280.00

This amount was confirmed direct by communication dated July 19, 1940, from the National City Bank of New York to be on deposit at the close of business July 8, 1940, and was reconciled with the Treasurer's balances of that date.

Bill No. 9523, Ordinance No. 9102 (NS) amended by Bill No. 1417, Ordinance No. 9,0243, approved August 24, 1937, designates the National City Bank of New York as the Fiscal Agent of the City and County of San Francisco. In lieu of collateral this ordinance provides that the Treasurer may exact a surety bond to protect amounts on deposit, premiums to be paid by City and County of San Francisco.

Surety bonds were in force as hereinafter reported.

#### 5. Bail Bonds—\$43,000.00

Bail bonds examined and counted at the close of business July 8, 1940, were verified against the Controller's records and summarized as follows:

County Clerk—Bail .....	\$27,350.00
County Clerk—Special Bail.....	50.00
Municipal Court—Bail .....	14,500.00
Municipal Court—Special Bail.....	1,000.00
Balance per Controller's Records.....	\$42,900.00
Municipal Court—Bail Bond Forfeited.....	100.00
Total per Treasury Count.....	<u>\$43,000.00</u>

Municipal Court Bail Bond No. 98312 for \$100.00, on hand with the Treasurer at the date of the cash count July 8, 1940, was ordered "forfeited" June 14, 1940. On August 22, 1940, the Treasurer advised that the bond was redeemed and the \$100.00 deposited to the General Fund. The redemption of this bond reconciles the Treasurer's records with the Controller.

#### 6. Western Registered Interest—\$72,705.75

This amount represents uncleared interest payments to registered City and County bond holders by Treasurer's check. The payments are evidenced by precancelled matured interest coupons which are transferred to the Controller when cleared. The Treasurer clears these items periodically subsequent to the clearance of his checks by the bank. Clearance of these items subsequent to the date of the cash count, excepting coupons in the amount of \$44.25, was verified against the Controller's records. On August 22, 1940, the \$44.25 excluded coupons were held by the Treasurer's office for clearance.

Western Registered Interest in the amount of \$81,995.75 reflected in Treasurer's cash account June 30, 1940, was reduced in amount to \$72,705.75 on date of cash count by the clearance of \$9,290.00 July 3, 1940.

#### 7. San Francisco Bonds and Coupons Paid by Fiscal Agent—\$2,834,920.00

Matured bonds and coupons in the total par value of \$2,834,920.00 were reported as paid and on hand July 8, 1940, by the New York Fiscal Agent—National City Bank. Charge slips from the bank on file in the Treasurer's office indicated the amount outstanding to be as follows:

Bonds .....	\$1,569,000.00
Coupons .....	1,122,517.50
Registered Interest .....	143,402.50
Total.....	<u>\$2,834,920.00</u>

Schedule A-2, of the report with schedules, reflects paid and cancelled City and County bond issues on hand with the Fiscal Agent, July 8, 1940. On August 30, 1940, \$248,100.00 of the above outstanding bonds and coupons were cleared to the Controller; the balance represents redemptions and interest payments during the period from July 1 to 8, 1940, inclusive, as follows:

Bonds Redeemed .....	\$1,539,000.00
Coupons Matured .....	1,047,820.00
Total.....	<u>\$2,586,820.00</u>

On receipt of the bonds and coupons from the Fiscal Agent they are cleared by the Treasurer and audited by the Controller's Accounting Division.

### III. SECURITIES—\$46,639,787.50

All securities in the custody of the Treasurer were examined and verifications were made as hereinafter reported. The total par value of securities with which the Treasurer was chargeable as at June 30, 1940, is summarized as follows:

Charged to the Treasurer by the Controller:

1. Employees' Retirement System Bonds.....	\$24,226,787.50
2. Bequest Fund Bonds .....	102,000.00
3. Trust Fund Bonds .....	15,000.00
Total Charged by the Controller.....	<u>\$24,343,787.50</u>

Not charged to the Treasurer by the Controller:

4. Collateral (Confirmed Direct by Depositories).....	22,296,000.00
Total in Custody June 30, 1940.....	<u>\$46,639,787.50</u>

#### 1. Employees' Retirement System Bonds—\$24,226,787.50 Par Value

These securities are held in a joint custody vault of the Treasurer and Controller. Verification was made as at June 30, 1940, in conjunction with representatives of F. W. Lafrentz & Co.-Bullock, Kellogg and Mitchell, Certified Public Accountants, who were engaged in auditing the Employees' Retirement Fund.

In accordance with letter of Mr. Ralph Nelson, Secretary-Actuary of the Employees' Retirement Board, dated June 18, 1940, \$46,000.00 par value Union Pacific 5% bonds maturing in the year 2008 were removed from the vault for delivery to the Bank of America for collection. These bonds were called for redemption September 1, 1940, and are included in the above amount as on hand June 30, 1940.

Prior to each interest collection date, maturing bonds and coupons were examined, checked to the records maintained by the Controller's Audit Staff, and released to the Treasurer for collection. A report was compiled of each monthly collection, a copy of which was transmitted to the Employees' Retirement Board as requested in a memorandum dated August 8, 1933, from Mr. Ralph Nelson, Secretary-Actuary.

The total par value of bonds held in the joint custody vault June 30, 1940, was verified against the Controller's records and schedule submitted by the Employees' Retirement Board.



Transactions during the fiscal year are summarized as follows:

*Par Value Bonds:*

On hand June 30, 1939.....	\$22,019,562.50	
Purchased during the Fiscal Year—1939-1940.....	2,589,000.00	
		<u>\$24,608,562.50</u>
Sold during 1939-1940.....	\$205,000.00	
Matured in 1939-1940.....	176,775.00	381,775.00
		<u>\$24,226,787.50</u>

*Interest:*

Coupons matured during the Fiscal Year 1939-1940.....	\$ 1,064,616.55	
Accrued interest on bond sales, January, 1940.....	1,511.43	
Total interest collected 1939-1940.....	\$ 1,066,127.98	
Interest received and deposited during the Fiscal Year per		
Controller's records .....	\$ 1,066,127.98	

**2. Bequest Fund Bonds—\$102,000.00**

Bonds in the total par value of \$102,000.00 and coupons attached were examined and verified against the Controller's records. The bonds and other assets in which the funds of the several bequests are invested are in the joint custody vault of the Treasurer and Controller.

**3. Trust Fund Securities—\$15,000.00**

Panama Pacific Exposition Trust Fund bonds in a total par value of \$15,000.00 and coupons attached were examined and verified against the Controller's records. These bonds are held in the joint custody vault.

**4. Collateral Securities—\$22,296,000.00**

Bonds submitted by the several depositaries are held by the Treasurer as collateral for loan balances pursuant to the provisions of Chapter 710, Statutes 1935, as amended. All bonds and coupons attached were examined, scheduled, and confirmed direct with the several depositaries.

All bonds on hand conformed to the requirements of Act 2834a, Section 4, General Laws—1937.

Sections 4 and 5 of that Act are quoted in part as follows:

"Such securities shall be approved by the Treasurer and the attorney of . . . political subdivision to any amount in value at least ten per cent in excess of the amount of deposit with such bank or banks. . . . Such security or any part thereof may be withdrawn or released on written consent of such Treasurer, and attorney of the . . . political subdivision."

The market value of the collateral was more than 10% in excess of the amount on deposit as indicated on Schedule A-1.

Examination of agreements pertaining to deposit of county funds and of written consents for the release and exchange of securities disclosed that they were approved by the Treasurer and the City Attorney and that the procedure followed conformed to the statutory requirements.

The Treasurer maintains a file of bank authorizations. The authorizations reflect the name, signature and specific authority of each bank agent. Test check disclosed that receipts for collateral were in order.

### City and County Bonds—\$945,000.00

City and County bonds in the amount of \$945,000.00 par value reflected on the Controller's records June 30, 1940, as authorized and unsold, were received from the lithographers July 3, 1940, therefore not included as a charge to the Treasurer June 30, 1940. The bonds were sold July 8, 1940, and the proceeds from sales were deposited with the Treasurer July 9, 1940.

The annual audit report for the fiscal year 1938-1939, dated September 6, 1939, reflected authorized and unsold City and County bonds in the amount of \$2,286,000.00 par value as at June 30, 1939.

Bond sales during the fiscal year 1939-1940 in the amount of \$1,041,000.00 par value were verified. Resolutions of the Board of Supervisors in connection with the sales were examined and proceeds from sales were verified with deposits with the Treasurer and the Controller's records.

Unsold bonds, authorized but not printed, maturing January 1, 1940, in the amount of \$20,000.00 par value, and unsold bonds, authorized but not printed, maturing December 1, 1939, in the par value of \$280,000.00 were written off the Controller's records as at June 30, 1940, in the Controller's Division of Accounts and Reports.

## IV. REVENUE

Revenues collected by the Treasurer during the fiscal year 1939-1940 are summarized from the Controller's records as follows:

1. Interest earned on deposit of public funds.....	\$52,327.85
2. Commissions on inheritance tax collections.....	13,214.31
3. "Duplicate Inheritance Tax Receipt" fees.....	7.00
4. Conscience money .....	25.00
5. Miscellaneous refunds .....	1.85
Total .....	<u>\$65,576.01</u>

### 1. Interest Earned on Deposit of Public Funds—\$52,327.85

Interest earned during the fiscal year 1939-1940 in the above amount was deposited with the Treasurer per Controller's records as follows:

General Fund—Inactive Account.....	\$37,307.17
S. F. Water Department—Inactive Account.....	15,020.68
Total.....	<u>\$52,327.85</u>

Rates of interest allowed during the fiscal year are in conformity with the laws effective during the period. On August 23, 1937, the banks discontinued interest payments on active deposits. Assembly Bill 1618, Chapter 551, General Laws 1939, amends Section 1. Act 2834a of the Public Deposit Act—provides that after September 1, 1941, rather than September 1, 1939, minimum interest on deposits shall be 2 per cent; and continues present provision that until date fixed may be at lower rates. In effect immediately.

An independent check on interest allowed by the banks indicated that computations of interest were substantially correct.

### 2. Commissions on Inheritance Tax Collections—\$13,214.31

Commissions on inheritance tax collections received during the fiscal year 1939-1940 amounted to \$13,214.31.

Records maintained by the Treasurer for inheritance tax purposes are subject to audit by State Controller's office.

The State Controller confirmed by letter dated August 29, 1940, direct to the Controller, the above commissions and periods of accumulations as reflected by Treasurer's records.

The California Inheritance Tax Act (Statutes 1937, Section 20, in effect August 27, 1937) provides a maximum annual commission of \$14,000.00 to be retained by the Treasurer. The maximum commission is on the basis of a calendar year. During the calendar year of 1939, the commissions exceeded the statutory amount of \$14,000.00 per annum. The excess was adjusted by limiting the commission for October and November, 1939, to \$367.06 and eliminating all commissions on the month of December, 1939, collections.

Inheritance tax collections on settlement dates hereinafter mentioned were verified against deposits of inheritance tax per Controller's records for the same period. Calculations of commissions on settlement dates were test checked.

Settlement dates and amounts are reflected as follows:

Period	Commission
June 1, 1939, to July 31, 1939.....	\$ 2,450.84
August 1, 1939, to September 30, 1939.....	1,865.25
October 1, 1939, to November 30, 1939.....	367.06
December 1, 1939, to January 31, 1940.....	2,665.28
February 1, 1940, to March 31, 1940.....	2,754.05
April 1, 1940, to May 31, 1940.....	3,111.83
Total.....	<u>\$13,214.31</u>

### 3. "Duplicate Inheritance Tax Receipt" Fees—\$7.00

A 50-cent fee is charged by the Treasurer for issuing duplicate receipt for inheritance tax as prescribed by Section 10 of the Inheritance Tax Act of 1935. The collection and deposit of this fee is subject to the Controller's prescribed revenue procedure and is currently audited by the Controller's office. Deposit of the fees was verified against the Controller's records.

### 4. Conscience Money—\$25.00

This amount was received in the Treasurer's mail. There is no trace of who sent this money, nor the purpose for which it was sent.

### 5. Miscellaneous Refunds—\$1.85

Refund of miscellaneous expenses.

## V. EXPENDITURES

Schedule B indicates a comparison of expenditures in connection with the operation of the Treasurer's office for the fiscal year of 1939-1940 and prior years.

Expenditures and encumbrances for the fiscal year 1939-1940 and appropriations thereto are summarized from the Controller's records as follows:

Appropriation	Appropriated 1939-1940	Adjusted 1939-1940	Expenditures and Encumbrances
Permanent salaries .....	\$46,460.00	\$46,770.00	\$46,712.50
Premium on official bond.....	7,000.00	7,000.00	7,000.00
Maintenance and repair of office equipment.	200.00	200.00	184.81
Telephone and telegraph.....	100.00	120.00	98.47
Carfare .....	125.00	125.00	72.98
Books, office supplies and stationery.....	1,100.00	1,080.00	1,027.58
Total .....	<u>\$54,985.00</u>	<u>\$55,295.00</u>	<u>\$55,096.34</u>

Add: Funds transferred from Appro.

960.102.00. Bill No. 632, Ordinance No. 595      310.00

Appropriations as adjusted.....	<u>\$55,295.00</u>	<u>\$55,295.00</u>
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# Permanent Salaries—\$46,712.50

The 1939-1940 Salary Ordinance, Bill No. 192, Ordinance No. 186, provides for employments at maximum monthly rates in the Treasurer's office as follows:

Item No.	No. of Employ-ments	Class No.	Class Title	Monthly Maximum Rate	Employment Status
1	1		Treasurer .....	\$666.66	Elective
2	1	B10	Accountant .....	240.00	Civil Service
3	1	B14	Senior Accountant .....	300.00	Civil Service
4	1	B102	Teller .....	240.00	Civil Service
5**	1	B102	Teller .....	210.00	Civil Service
6	2	B104	Senior Teller .....	250.00	Civil Service
7	1	B104	Senior Teller .....	240.00	Civil Service
8	1	B112	Assistant Cashier .....	375.00	Civil Service
9	1	B112	Assistant Cashier .....	350.00	Civil Service
10*	2	B222	General Clerk .....	155.00	Civil Service
11	1	B408	General Clerk-Stenographer..	175.00	Civil Service
7.1**	1	B104	Senior Teller .....	220.00	Civil Service
10.1**	1	B234	Head Clerk .....	220.00	Civil Service

\*Bill No. 626, Ordinance No. 590, dated April 22, 1940, an ordinance amending Bill No. 192, Ordinance No. 186, Section 8, Treasurer, by increasing the number of employments under Item No. 10 from one to two.

\*Bill No. 632, Ordinance No. 595, dated April 22, 1940, authorizing the appropriation of \$310.00 out of appropriation 960.102.00 to the credit of appropriation 906.101.00, creating the position of one B222 General Clerk at \$155.00 per month in the office of the Treasurer, and providing funds for the compensation therefor for the period from May 1, 1940, to June 30, 1940.

\*\*Bill No. 680, Ordinance No. 641, May 20, 1940, appropriating the sum of \$660.00 out of surplus existing in Appropriation No. 906.101.00 to the credit of Appropriation No. 906.101.00, creating the position of one B104 Senior Teller at \$220.00 per month and one B234 Head Clerk at \$220.00 per month in the office of the Treasurer, and providing funds for the compensation therefor for the period from May 16, 1940, to June 30, 1940; abolishing the position of two B102 Teller at \$210.00 per month in the same department.

NOTE: The appropriation of \$660.00 is made up as follows:

1 Senior Teller.....@	\$220.00	\$330.00	
1 Head Clerk .....	@ 220.00	330.00	\$660.00

Positions abolished:

2 Tellers .....	@ \$210.00	\$630.00	
Surplus created by Bill No. 632—Excess Appropriation—B222 did not work full time for which \$310.00 was appropriated, therefore time allotted 6 days @ \$5.00.			
		30.00	\$660.00

Test check of the time rolls indicated that employments were in accordance with the above Ordinance.

Examination of the time roll procedure indicated that the provisions of the Payroll Ordinance, Bill No. 37, Ordinance No. 9.0551, with respect to daily posting of time worked, were complied with.

### Premium on Bonds—\$7,000.00

All employees of the Treasurer's office are bonded except one B222 General Clerk and one B408 General Clerk-Stenographer. The General Clerk was employed May 1, 1940, and commenced work May 8, 1940. The Treasurer's office advised that a bond will be required for General Clerk after the six months' probation period has expired. The positions of B104 Senior Teller and B234 Head Clerk, created by promotional examination May 16, 1940, are listed on schedule bond June 30, 1940, under their old classification as "Tellers".

The premiums were paid on these bonds from the following appropriations:

Treasurer's appropriation 1939-1940 No. 933.816.06.....	\$7,000.00
Purchaser's appropriation 1938-1939 No. 838.818.00.....	605.62
Purchaser's appropriation 1940-1941 No. 033.813.33.....	425.00
Total Premiums.....	<u><u>\$8,030.62</u></u>

All bonds with premiums paid were in the custody of the Controller as prescribed by Charter Section 67.

Test check indicated that expenditures were made in accordance with provisions of the Purchasing Procedure Ordinance Bill No. 76, Ordinance No. 9.0861.

Respectfully submitted,

WREN MIDDLEBROOK,  
Supervisor, General Audits.



# San Francisco Water Department

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1940

(Wherever italic figures appear in this Report, they indicate red figures)





# PEAT, MARWICK, MITCHELL & Co.

ACCOUNTANTS AND AUDITORS

RUSS BUILDING

SAN FRANCISCO, CALIFORNIA

October 11, 1940.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by Ordinance No. 9.0621 finally passed by the Board of Supervisors on October 9, 1933, we have examined the Balance Sheet of the San Francisco Water Department, a utility under the jurisdiction of the Public Utilities Commission, as at June 30, 1940, and statements of Income and Surplus for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the Department and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate. We now submit our report on the examination together with the following statements:

Exhibit "A"—Income Account, for the Years Ended June 30, 1940, and 1939.

Exhibit "B"—Surplus Account, for the Year Ended June 30, 1940.

Exhibit "C"—Surplus Account—Condensed, from March 3, 1930, to June 30, 1940.

Exhibit "D"—Balance Sheet, as at June 30, 1940.

Schedule "1"—Operating Expenses, for the Years Ended June 30, 1940, and June 30, 1939.

The expert to the Grand Jury participated in the examination.

In the following comments and accompanying Exhibits, various figures relating to the operations for the year ended June 30, 1939, and the Balance Sheet at that date are submitted for purposes of comparison. Such figures have been taken from the report of the auditors for that year after giving effect to certain adjustments of the Surplus as at June 30, 1939.

## OPERATIONS

As shown by the Comparative Income Account, Exhibit "A", appended hereto, the net income for the year ended June 30, 1940, amounted to \$2,639,173.42 after providing for maintenance and depreciation of the physical properties and bond interest but before consideration of comparative charges for Federal and State Taxes commented on later in this report. The value at regular rates of free water supplied to other City Departments is recorded in the Income Account both as Income and Expense in lieu of City and County Taxes.

The following is a condensed statement of the Operations for the year ended June 30, 1940, with comparative figures for the previous year:

## Comparative Income Account

	Year Ended June 30,	
	1940	1939
Sale of water.....	\$7,309,468.62	\$7,053,340.69
Operating expenses, including depreciation.....	3,016,793.06	3,000,157.24
Operating income .....	4,292,675.56	4,053,183.45
Other income—Net .....	65,921.19	73,869.88
	4,358,596.75	4,127,053.33
Bond interest .....	1,719,423.33	1,786,943.34
Net income .....	<u>\$2,639,173.42</u>	<u>\$2,340,109.99</u>

From the foregoing tabulation it will be seen that Operating Income exceeded that of the prior year by \$239,492.11. This excess arises from increased Water Sales revenue of \$256,127.93 offset by an increase of \$16,635.82 in Operating Expenses. In considering the fact that Operating Expenses have increased only by \$16,635.82, it will be seen from Schedule "1" that Extraordinary Repairs and Special Service in 1939, together amounting to \$98,274.41, did not recur in 1940.

*Other Income:* Net decreased by \$7,948.69 owing to reduced returns from the Walnut Orchard offset in part by reductions in Miscellaneous Expense. Bond Interest Expense decreased by \$67,520.01 resulting from the reduction of \$1,561,000.00 made in the Department's Bonded Debt during the year under review, with the result that the net income for 1939-40 exceeded that of the preceding year by \$299,063.43.

In connection with the increase in revenue from sales of water the following comparison of the number of Consumers served and Metered Deliveries of water may be of interest:

	As at June 30,			
	1940	1939	1938	1937
Consumers—San Francisco District:				
Residential .....	93,055	89,542	88,065	86,293
Commercial .....	26,919	26,805	26,506	26,228
Dock and shipping.....	287	280	238	238
	120,261	116,627	114,809	112,759
Consumers—Suburban District .....	568	562	586	574
Total.....	<u>120,829</u>	<u>117,189</u>	<u>115,395</u>	<u>113,333</u>
	Years Ended June 30,			
	1940	1939	1938	1937
Metered Delivery—Million Cubic Feet:				
San Francisco District.....	2,378.7	2,271.9	2,178.2	2,149.6
Suburban District, including free deliveries riparian contracts.....	407.6	370.0	270.6	236.7
Total.....	<u>2,786.3</u>	<u>2,641.9</u>	<u>2,448.8</u>	<u>2,386.3</u>

Operating Expenses are stated by principal classifications in Exhibit "A" and in further detail in Schedule "1". Details of Other Income—Net are also shown in Exhibit "A".

No charge is reflected in the Income Account for Hetch Hetchy water used as no direct charge is made by the Hetch Hetchy Water Supply division for water supplied to the San Francisco Water Department. In line with the con-

sistent policy of the latter Department, all contributions to Hetch Hetchy Water Supply are charged directly to Surplus. In 1939-40 such contributions amounted to \$681,709.64 of which \$131,314.75 was for Operating Expenses. For the year 1940-41, however, the City has adopted a policy of making payments to Hetch Hetchy Water Supply for water supplied and stand-by service and we understand such payments will be included in Operating Expenses of the Water Department and treated as Income by Hetch Hetchy Water Supply.

### Taxes

Section 64 of the City Charter provides in part that the Public Utilities Commission shall maintain separate accounts for each utility in such manner as to exhibit "... estimates of the amount of taxes that would be chargeable against such property and the revenue thereof, if privately owned and operated."

In lieu of San Francisco property taxes, which have not been assessed, the Operating Expenses have, as already stated earlier in this report, been charged with amounts equal to the revenues recorded for water supplied to non-paying municipal departments as follows:

Year ended June 30, 1940.....	\$500,493.69
Year ended June 30, 1939.....	<u>476,351.90</u>

The San Francisco Water Department, if privately owned, would have had to pay property taxes to the City and County of San Francisco at the rate of \$3.937 per \$100.00 of assessed valuation for the fiscal year 1939-40. We are unable to form any opinion as to whether such taxes would or would not exceed the comparison charges recorded as stated.

Taxes paid to other cities and counties by the San Francisco Water Department and included in Operating Expenses in the Income Account, amounted to:

Year ended June 30, 1940.....	\$235,503.86
Year ended June 30, 1939.....	<u>257,488.21</u>

The substantial reduction in taxes paid as compared with the previous year is the result of numerous reductions in assessment valuations principally in San Mateo County. Payments to Special Assessment Districts amounting to \$3,166.13 were made under protest and a portion as yet undetermined will, it is anticipated, be refunded.

Comparison charges for Federal taxes and State Franchise tax are not recorded in the expense accounts of the Water Department. These taxes are estimated at \$558,674.91 for the year ended June 30, 1940, and at \$504,136.67 for the year ended June 30, 1939. Federal taxes applicable to a privately owned and operated utility company include capital stock tax, based on a declared value affecting the computation of excess profits taxes. Profits not distributed were, for the year under review, subject to higher rates of income tax than if distributed to stockholders. For purposes of the foregoing estimates, Federal capital stock taxes have been included at amounts sufficient to eliminate excess profits tax and, for the purpose of determining profits not distributed, contributions to the General Fund and Hetch Hetchy Water Supply have been regarded as "distributions".

Unemployment and Old Age Benefit Taxes are more than offset by the Water Department's payments to the City and County Employees' Retirement System; such payments aggregated 3.89% of the total payroll.

No vehicle license, registration or weight fees are paid by the Water Department to the State of California.

The net income for the year ended June 30, 1940, has been transferred to Surplus Account, a summary of which is as undernoted:

Balance as at June 30, 1939, as per report of previous auditors .....		\$11,960,986.22
Add Transfers from Deferred Credits:		
Water Sales to Golden Gate International Exposition for year ended June 30, 1939.....		29,800.50
City of Palo Alto contribution to cost of Palo Alto pipe line .....		215,419.37
Adjusted Balance as at June 30, 1939.....		<u>\$12,206,206.09</u>
Add:		
Net Income for the year ended June 30, 1940..	\$ 2,639,173.42	
Cash received from California Water Service Company under agreement .....	28,000.00	
Miscellaneous Additions to Surplus.....	3,174.91	2,670,348.33
		<u>\$14,876,554.42</u>
Deduct Contributions:		
General Fund .....	\$ 902,898.00	
Hetch Hetchy Water Supply.....	681,709.64	\$ 1,584,607.64
Balance as at June 30, 1940.....		<u>\$13,291,946.78</u>

Water Sales for 1938-39 to the Golden Gate International Exposition have been transferred to Surplus and for the year under review included in Income, since it now appears that the ultimate value of the Bay Bridge pipe line and other properties constructed at the expense of the Exposition and acquired by the Water Department in return for a credit to be used to pay for water supplied will exceed the value at regular rates of the water so furnished.

The following is an analysis of the City of Palo Alto deferred credit now transferred to Surplus:

60% of cost of Palo Alto pipe line charged to City of Palo Alto under agreement dated December 31, 1937 .....	\$217,207.04
Interest accrued to June 30, 1939.....	8,516.09
	<u>\$225,723.13</u>
Less amount equal to collections up to June 30, 1939, already credited to Surplus.....	\$ 10,303.76
Total .....	<u>\$215,419.37</u>

The obligation of the City of Palo Alto to complete payment of their contribution to the cost of the Palo Alto Pipe Line is unconditional, the agreement under which the contribution was made specifying that payment in full must be made at June 30, 1958, if not before; interest is payable on the unpaid balance of the contribution. Accordingly, the crediting of the contribution to Surplus does not appear to require to be deferred pending collection. Interest on the Palo Alto account receivable for the year under review has been credited to Income Account.

Cash from California Water Service Company, \$28,000.00 was received as consideration for an agreement similar to those entered into with that Company and with Moffett Field during the year ended June 30, 1939. These

agreements are for the supply of minimum amounts of water daily at regular rates during the life of the Palo Alto pipe line.

Further details of the Surplus Account will be found in Exhibit "B", while in Exhibit "C" is presented a condensed summary of the changes in Surplus Account since March 3, 1930, the date of the inception of the San Francisco Water Department.

## FINANCIAL POSITION

A Balance Sheet of the San Francisco Water Department as at June 30, 1940, is presented in Exhibit "D" appended hereto. Tabulated below is a synopsis of this Balance Sheet together with figures at June 30, 1939, as set forth in the report of the auditors for the year then ended adjusted to give effect to certain transfers from Deferred Credits to Surplus Account already commented on in this report.

### Condensed Comparative Balance Sheet

#### ASSETS

	June 30,	
	1940	1939
Plant, Property, Rights, etc. (Net).....	\$50,006,096.80	\$50,437,230.18
Cash on Deposit with Treasurer.....	2,898,468.87	2,852,658.36
Revolving Fund .....	30,000.00	30,000.00
Accounts Receivable, less Reserve.....	565,125.31	514,383.59
City of Palo Alto—Receivable on or before June 30, 1958 .....	167,304.52	215,419.37
Interfund Accounts Receivable.....	40,931.22	43,266.16
Deferred Charges .....	316,291.42	507,875.40
Total .....	<u>\$54,024,218.14</u>	<u>\$54,600,833.06</u>

#### LIABILITIES

Bonded Debt .....	\$38,880,000.00	\$40,441,000.00
Bond Interest Payable .....	828,615.83	861,927.50
Accounts Payable and Commitments.....	144,861.65	338,146.82
Consumers' Deposits and Construction Advances .....	126,263.93	89,678.43
Sundry Deposits .....	541.48	.....
Interfund Accounts Payable.....	434,371.10	315,691.75
Compensation Insurance Reserve.....	21,647.15	17,191.17
Golden Gate International Exposition—Unused credit .....	295,970.22	330,991.30
Surplus .....	13,291,946.78	12,206,206.09
Total .....	<u>\$54,024,218.14</u>	<u>\$54,600,833.06</u>

In connection with our examination of the accounts relating to Assets and Liabilities at June 30, 1940, the following comments are submitted:

#### Plant, Property, Rights, Etc. (Net)

Plant, Property, Rights, etc. (Net), \$50,006,096.80 comprises Properties in Service, \$71,096,083.84 (of which \$3,183,224.00 represents Intangibles) less Reserve for Depreciation, \$21,169,479.00, together with Construction in Progress, \$79,491.96. Properties in Service are stated at values based on an appraisal by the engineers of the San Francisco Water Department as at December 31, 1937, together with subsequent additions at cost.

The additions and retirements during the year are summarized below:

Balance as at June 30, 1939.....		\$70,639,146.66
Additions and Transfers:		
Calaveras Dam—Spillway Reconstruction.....	\$272,263.81	
Transmission and Distribution Lines.....	204,914.89	
Transfers from Hetch Hetchy Water Supply.....	3,942.89	
Miscellaneous .....	30,477.39	511,598.98
		<u>\$71,150,745.64</u>
Retirements, Sales, etc.:		
Transmission and Distribution Lines.....	\$ 34,147.40	
Miscellaneous .....	20,514.40	54,661.80
		<u>\$71,096,083.84</u>
Balance as at June 30, 1940.....		

We inspected contracts, purchase orders and invoices and satisfied ourselves that expenditures were properly capitalized. By reference to the minutes of the Public Utilities Commission we ascertained that major expenditures had received the approval of that body.

Included in Properties in Service is the cost to December 31, 1937, of the water system serving Yerba Buena Island and Treasure Island, \$361,324.92 as reported by the Golden Gate International Exposition which made the expenditure. Also included is \$6,190.25 engineering costs of the Water Department in this matter. No further costs have been submitted in verified form. The above costs were credited to the Exposition and, under the terms of an agreement, the credit is being reduced by the value of water supplied to the Exposition. The balance of the credit remaining at the close of the Exposition will be available as a valuation reserve against the recorded value of the Yerba Buena and Treasure Island system including the Bay Bridge pipe line and San Francisco pumping station.

Depreciation amounting to \$925,190.72 has been provided on a "straight line" basis for the year ended June 30, 1940, in accordance with amounts determined by the engineers of the Water Department in connection with their appraisal of the properties as at December 31, 1937, already referred to. Accrued depreciation on the property transferred from Hetch Hetchy Water Supply was added to the Reserve for Depreciation in the amount of \$1,117.16 while the net cost of retirements charged thereto amounted to \$47,900.49.

#### Cash on Deposit With Treasurer

Cash on deposit with the Treasurer of the City and County of San Francisco is held in the following funds:

Revenue Fund .....	\$ 448,672.28
Special Deposit Trust Fund.....	126,835.84
Extension Reserve Fund .....	299,256.79
Reconstruction and Replacement Fund.....	167,233.76
Land Purchase Fund.....	44,168.52
Bond Redemption Fund—1928 Bonds.....	1,004,000.00
Bond Redemption Fund—1933 Bonds.....	5,939.18
Bond Interest Fund—1928 Bonds.....	718,762.50
Bond Interest Fund—1933 Bonds.....	83,600.00
Total .....	<u>\$2,898,468.87</u>

All cash balances on deposit with the Treasurer were confirmed by review of the report by the Controller's audit staff prepared in connection with the examination as at June 30, 1940, of the Treasurer's records and confirmation of cash balances at that date made pursuant to Section 66 of the Charter.

### Revolving Fund

The following is the composition of the Revolving Fund:

Cash in Bank.....		\$19,129.01
Cash on Hand:		
Water Sales Change Funds.....	\$2,300.00	
Petty Cash Funds.....	850.00	3,150.00
		<hr/>
Disbursements awaiting reimbursement....		7,245.99
Disbursement for which the Controller has refused reimbursement .....		475.00
		<hr/>
Total .....		\$30,000.00
		<hr/> <hr/>

Cash in Bank, \$19,129.01, was confirmed by a certificate obtained from the depository and that on hand, except for \$200.00 at Sunol, by actual count; a certificate was obtained from the custodian of the Sunol Fund. Disbursements awaiting reimbursement, \$7,245.99 have been reimbursed since June 30, 1940, with the exception of \$2.72. On May 14, 1937, a claim of J. Giosso & Sons, amounting to \$475.00 for property damage was paid; the Controller has refused reimbursement under Section 85 of the Charter, because in his opinion, the claim was not filed in accordance with Section 87.

### Accounts Receivable, Less Reserve

Accounts Receivable comprise the following:

Consumers' Accounts:		
Deemed Collectible .....		\$581,558.16
Deemed Uncollectible .....		63,813.30
		<hr/>
		\$645,371.46
Less Reserve for Bad Debts.....		87,000.00
		<hr/>
		\$558,371.46
Other Accounts:		
Rentals .....	\$4,920.11	
Miscellaneous .....	1,833.74	6,753.85
		<hr/>
Total .....		\$565,125.31
		<hr/> <hr/>

We reviewed the Consumers' Accounts as to collectibility and in addition communicated by mail with all consumers having delinquent balances of over \$50.00 at the last date of billing prior to our confirmation. The replies received did not show any differences. With minor exceptions, no uncollectible accounts have been written off to the Reserve for Bad Debts for several years, the Controller having refused sanction therefor, pending a review of the accounts by his audit staff which is now in progress. Many of the accounts now classified as "Deemed Uncollectible" will undoubtedly be charged off upon completion of this survey. In our opinion, the Reserve for Bad Debts is more than adequate to provide for possible loss on all accounts known to be of doubtful collectibility.

All rentals and miscellaneous accounts appear to be collectible in full. Included in the miscellaneous accounts is \$1,319.70 for the June surcharge to the City of Palo Alto in connection with the Palo Alto pipe line agreement.

### City of Palo Alto

The amount of \$167,304.52 due from the City of Palo Alto represents the uncollected balance of 60% of the cost of the Palo Alto pipe line charged by agreement to the City of Palo Alto. This amount, which bears interest at 4½% per annum, is collectible, including interest by means of surcharges of 2c per 100 cubic feet based on the monthly delivery of water or by additional lump sum payments payable at the option of the City. Any uncollected balance as at June 30, 1958, will be payable in full at that date. The

following summary of the transactions during the year under review discloses that the payments made by the City of Palo Alto have exceeded the minimum payments due under the agreement.

Balance as at June 30, 1939.....	\$215,419.37
Interest at 4½% per annum on monthly balances.....	8,548.77
	<u>\$223,968.14</u>

Collected during year ended June 30, 1940:

By means of surcharges (including \$1,319.70, included in Miscellaneous Accounts Receivable at June 30, 1940) .....	\$11,663.62
Additional lump sum payment received December 21, 1939 .....	45,000.00
	<u>56,663.62</u>
Balance as at June 30, 1940.....	<u>\$167,304.52</u>

We have confirmed the correctness of the balance as at June 30, 1940, by communication with the City Clerk of the City of Palo Alto.

### Interfund Accounts Receivable

Interfund Accounts Receivable have been compared with the records of the Controller.

### Deferred Charges

Deferred Charges comprise the following:

Materials and Supplies.....	\$279,621.79
Commitments — Contra.....	30,932.86
Contributions to Hetch Hetchy Water Supply unexpended .....	4,676.77
Work in Progress—not chargeable to Property Accounts .....	1,060.00
Total .....	<u>\$316,291.42</u>

Location of Materials and Supplies is shown by the following summary:

City Distribution Division.....	\$214,683.42
Peninsula Division .....	41,075.64
Alameda Division .....	8,184.62
Newark—San Lorenzo Pipe Line—Salvaged Material .....	11,744.65
Corral Hollow Pipe Line—Salvaged Material.....	3,933.46
Total .....	<u>\$279,621.79</u>

Materials and Supplies are stated at cost or, in certain instances, at scrap value as shown by inventories prepared from perpetual inventory cards as at May 25, 1940, and adjusted in total for transactions from that date to June 30, 1940. On or about May 25, 1940, physical inventories were taken and the perpetual inventory cards adjusted therewith before the preparation of the inventories above noted. We examined the physical inventory records and made tests of the perpetual inventory cards. During our examination we also inspected various materials on hand and compared the quantities with those shown on the perpetual inventory cards as at the date of inspection. The cost of recent purchases of materials as shown by the cards was confirmed from invoices, purchase orders, etc., and the transactions for the month of June were examined and tested with detail records in support thereof. We also made tests of the correctness of the calculations.



We discussed with Mr. Eckart, General Manager and Chief Engineer, the valuation of the materials salvaged from the Newark-San Lorenzo and Corral Hollow pipe lines. This material consists mainly of pumps, motors and 36" pipe, practically none of which was used during the year under review. Mr. Eckart stated that opportunities for the use of this material will, in his opinion, occur from time to time and that he believed that any possible loss would be so small as to justify deferring consideration thereof until the regular five-year appraisal of the properties is made as at December 31, 1942.

Commitments—Contra represent the unexpended balances of encumbrances at June 30, 1940. It is the accounting practice of the City and County of San Francisco to reflect the total encumbrances as a liability in all Proprietary Balance Sheets in order to facilitate reconciliation with Funding Balance Sheets and accordingly, it is necessary to include unexpended balances as an asset.

Contributions to Hetch Hetchy Water Supply are not charged to Surplus until advice has been received that the contributions have actually been expended.

Expenditure for Work in Progress included in Deferred Charges is recoverable from other City Departments or from Construction Advances, or is chargeable to maintenance on completion.

### Bonded Debt

The bonded debt of the San Francisco Water Department consists of the unredeemed portion of the following bond issues:

	Total	July 1, 1928 4½ % (Spring Valley) Issue	December 1, 1933 4 % Issue
Matured .....	\$ 4,000.00	\$ 4,000.00	.....
Due 1940-1941 .....	1,563,000.00	1,000,000.00	\$ 563,000.00
Due after June 30, 1941.....	37,313,000.00	30,000,000.00	7,313,000.00
Total .....	<u>\$38,880,000.00</u>	<u>\$31,004,000.00</u>	<u>\$7,876,000.00</u>

Bonds of the 1928 issue are due serially, \$1,000,000.00 on July 1 of each year from 1940 to 1970, while those of the 1933 issue are due \$563,000.00 on December 1, 1940 to 1952, and \$557,000.00 on December 1, 1953.

Of the 1928 bonds, \$1,000,000.00 matured July 1, 1939, of which \$998,000.00 were presented and redeemed. 1933 bonds of a par value of \$563,000.00 matured at December 1, 1939, and have all been redeemed.

Our confirmation of the liability for Bonded Debt was confined to reference to the records of the Controller.

### Bond Interest Payable

Bond Interest Payable may be stated as follows:

	Total	1928 Issue	1933 Issue
Matured Coupons not presented for payment .....	\$104,862.50	\$ 21,262.50	\$ 83,600.00
Due July 1, 1940.....	697,500.00	697,500.00	.....
Due December 1, 1940 (accrued portion) .....	26,253.33	.....	26,253.33
Total .....	<u>\$828,615.83</u>	<u>\$718,762.50</u>	<u>\$109,853.33</u>

We confined our confirmation of this liability to reference to the records of the Controller and computation of the accrued interest.

### Accounts Payable and Commitments

Accounts Payable and Commitments comprise the following:

Warrants Outstanding .....	\$ 60,797.51
Contracts, Purchase Orders, etc. (Encumbrances):	
For Materials and Services received...\$53,131.28	
Commitments — Contra.....	30,932.86
	84,064.14
Total .....	<u>\$144,861.65</u>

The amounts of the Warrants Outstanding and of the Encumbrances are in agreement with the records of the Controller. A scrutiny of the records of the Water Department disclosed no material liabilities which had been incurred but for which the Controller had not recorded encumbrances.

### Consumers' Deposits and Construction Advances

Consumers' Deposits and Construction Advances which include \$4,626.71 for amounts paid from the Revolving Fund in June, 1940, but not yet reimbursed by the Controller, may be stated as follows:

Consumers' Guarantee Deposits.....	\$ 27,958.23
Construction Advances .....	98,189.99
Custom Work Advances.....	687.62
Total liability offset by Cash in Special Deposit Trust Fund .....	\$126,835.84
Less amounts due therefrom to other City Depart- ments—per Controller .....	571.91
Total .....	<u>\$126,263.93</u>

We reconciled each class of deposit with the detail registers maintained in respect thereto. Construction Advances are refundable in full while Custom Work Advances are only refundable to the extent of amounts not used to pay for work done. Amounts due to other City Departments have not yet been billed by such Departments, but in order to reconcile, Interfund Accounts Payable have been added thereto and deducted from Advances.

### Interfund Accounts Payable

Interfund Accounts Payable have been compared with the records of the Controller.

### Compensation Insurance Reserve

This reserve is credited monthly with amounts based on a percentage of wages and salaries paid in order to provide for payments to the Retirement System for compensation and hospitalization of Water Department employees.

### Golden Gate International Exposition—Unused Credit

The amount of \$295,970.22 represents the remaining credit for the Exposition Water System recorded costs against which water charges are applied in accordance with an agreement dated July 20, 1936. Inasmuch as the Exposition closed on September 29, 1940, the greater portion of this credit will not be used and will be available as a valuation reserve against the cost of the Exposition Water System as recorded on the books of the Water Department.

### Contingent Liabilities

We conferred with the City Attorney's office as to lawsuits outstanding against the department. Prior to the year under review, suit was brought against the City and County of San Francisco by the testamentary trustees under the last will and testament of Christian de Guigne, Jr., deceased, and by Williams Bros. and Haas, Inc. These suits arose through alleged property damage during and after construction of Crystal Springs Pipe Line No. 2. A judgment in the Superior Court of San Mateo was rendered in July, 1940, for a principal amount of \$6,900.00 in favor of the trustees of De Guigne, Jr., but this has not been recorded on the books pending possible appeal. The Williams Bros. and Haas, Inc., suit has not gone to trial and possible liability remains indefinite. The Contingent Liabilities of the Water Department by reason of other unsettled lawsuits are, we were informed, believed to be inconsequential.

### GENERAL

*Insurance:* The San Francisco Water Department carries full coverage on automobiles and trucks including non-owned vehicles and also messenger robbery, burglary, elevator, boiler and plate glass insurance. Fire insurance of hay and grain received under crop share rental agreements is also carried. Other than this the Water Department does not carry insurance on its properties nor does it insure against liability for property damage and workmen's compensation. A reserve is provided on the books as already noted for workmen's compensation. All other losses are charged to current expenses when incurred.

*Merger with Hetch Hetchy:* Section 122 of the Charter of the City and County of San Francisco provides for the merger of the Hetch Hetchy project, upon completion, with the San Francisco Water Department. We are informed by the City Attorney's office that in their opinion, Hetch Hetchy has not been completed and cannot be merged with the Water Department.

We take this opportunity of expressing our appreciation of the cooperation afforded us by the officials and employees of the Water Department and the Controller's office.

Yours truly,

PEAT, MARWICK, MITCHELL & CO.

EXHIBIT "A"  
INCOME ACCOUNT

For the Years Ended June 30, 1940 and 1939

Sale of Water:	Year ended June 30,	
	1940	1939
San Francisco .....	\$ 6,271,116.05	\$ 6,072,670.50
Outside San Francisco.....	469,360.67	436,144.56
Municipal Departments—Actual .....	68,498.21	68,173.73
Municipal Departments—Comparison .....	500,493.69	476,351.90
	<u>\$ 7,309,468.62</u>	<u>\$ 7,053,340.69</u>
Operating Expenses:		
Source of Water Supply—See Schedule "1"....	\$ 183,213.68	\$ 194,108.09
Pumping—See Schedule "1".....	155,247.36	180,902.59
Purification—See Schedule "1".....	67,594.27	64,347.99
Transmission and Distribution— See Schedule "1".....	320,718.12	306,756.26
Commercial Expenses—See Schedule "1"....	355,751.52	349,097.99
Administrative and General Expenses— See Schedule "1".....	512,777.54	620,553.75
Provision for Bad Debts.....	6,000.00	6,000.00
Municipal Taxes—Comparison .....	500,493.69	476,351.90
	<u>\$ 2,101,796.18</u>	<u>\$ 2,198,118.57</u>
Less overdistribution of Transportation and Overhead Expenses .....	10,193.84	17,769.57
	<u>\$ 2,091,602.34</u>	<u>\$ 2,180,349.00</u>
Provision for Depreciation.....	925,190.72	819,808.24
	<u>\$ 3,016,793.06</u>	<u>\$ 3,000,157.24</u>
Profit from Operations.....	\$ 4,292,675.56	\$ 4,053,183.45
Other Income:		
Rentals, including Crop Shares.....	49,136.29	50,865.36
Sale of Walnuts.....	13,730.46	33,909.74
Interest Earned .....	23,569.45	23,516.15
Miscellaneous Income .....	12,441.41	11,609.53
	<u>\$ 98,877.61</u>	<u>\$ 119,900.78</u>
Other Expenses:		
Bond Interest—1928 Issue.....	\$ 1,395,000.00	\$ 1,440,000.00
Bond Interest—1933 Issue.....	324,423.33	346,943.34
Agricultural Division Expense.....	9,571.94	11,188.32
Walnut Orchard Expense.....	15,024.33	19,439.57
Uncollectible Rentals written off.....	7,671.14	.....
Miscellaneous Expense .....	689.01	15,403.01
	<u>\$ 1,752,379.75</u>	<u>\$ 1,832,974.24</u>
Net Income .....	<u>\$ 2,639,173.42</u>	<u>\$ 2,340,109.99</u>
Comparison Charges for Federal Income Taxes and State Franchise Tax (estimated).....	\$ 558,674.91	\$ 504,136.67

EXHIBIT "B"  
SURPLUS ACCOUNT

For the Year Ended June 30, 1940

Balance as at June 30, 1939, as shown in report of the Auditors for the year then ended.....		\$11,960,986.22
Water Sales to Golden Gate International Exposition for year ended June 30, 1939, transferred from Deferred Credits .....		29,800.50
City of Palo Alto contribution to cost of Palo Alto pipe line transferred from Deferred Credits .....	\$ 217,207.04	
Interest accrued at 4½% to June 30, 1939....	8,516.09	
	<hr/>	
	\$ 225,723.13	
Less Amount equal to collections up to June 30, 1939, already credited to Surplus.....	10,303.76	215,419.37
	<hr/>	
Adjusted Balance as at June 30, 1939.....		\$12,206,206.09
Add:		
Net Income for the year ended June 30, 1940..	\$ 2,639,173.42	
Cash received from California Water Service Company under second agreement relating to Palo Alto Pipe Line.....	28,000.00	
Sundry Property transfers from Hetch Hetchy Water Supply .....	2,941.41	
Other Miscellaneous Additions and Deductions—Net .....	233.50	2,670,348.33
	<hr/>	
		\$14,876,554.42
Deduct Contributions:		
To General Fund of which \$402,898.00 was unpaid at June 30, 1940.....	\$ 902,898.00	
To Hetch Hetchy Water Supply.....	681,709.64	1,584,607.64
	<hr/>	
Balance as at June 30, 1940.....		<u>\$13,291,946.78</u>

## EXHIBIT "C"

## SURPLUS ACCOUNT—CONDENSED

From March 3, 1930, to June 30, 1940

Initial Surplus as at March 3, 1930:

Excess Earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price, in accordance with order of Railroad Commission of the State of California.....	\$ 4,152,652.24
Valuation placed upon Municipal Water Works	100,000.00
	<hr/>
	\$ 4,252,652.24
Less additional allowance for depreciation from March 1, 1920, to March 3, 1930.....	2,327,916.67
	<hr/>
	\$ 1,924,735.57

Add:

Net Profit March 3, 1930, to June 30, 1940, including miscellaneous year to year surplus adjustments .....	\$22,134,813.26	
Grants earned on Federal Public Works Projects .....	2,358,987.60	
Bond Premium less Bond Expense on sale of Water Distribution Bonds—1933.....	808,292.40	
Properties and Materials taken over from other City Public Service Enterprises.....	431,188.73	
Labor donated by Federal Government for construction of roof over Crystal Springs Aqueduct .....	20,091.00	
City of Palo Alto contribution to cost of Palo Alto Pipe Line .....	217,207.04	
Cash received under agreements relating to Palo Alto Pipe Line.....	70,000.00	26,040,580.03
	<hr/>	
		\$27,965,315.60

Deduct:

Contributions to General Fund.....	\$ 9,648,866.10	
Contributions to Hetch Hetchy Water Supply and Power Project .....	2,890,131.74	
Land contributed to City and County of San Francisco and to Joint Highway Commission for Streets and Boulevards.....	143,121.07	
Excess of Adjusted Book Value of Plant over Appraisal as at December 31, 1937.....	1,991,249.91	14,673,368.82
	<hr/>	

Balance as at June 30, 1940.....	<hr/>	<u>\$13,291,946.78</u>
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EXHIBIT "D"  
BALANCE SHEET  
As at June 30, 1940

## ASSETS

## Plant, Property, Rights, etc.:

Tangibles .....	\$67,912,859.84	
Intangibles .....	3,183,224.00	
	<u>\$71,096,083.84</u>	
Less Reserve for Depreciation.....	21,169,479.00	
	<u>\$49,926,604.84</u>	
Construction in Progress.....	79,491.96	
	<u>\$50,006,096.80</u>	
Cash on Deposit with Treasurer.....	2,898,468.87	
Revolving Fund .....	30,000.00	
Accounts Receivable:		
Consumers' Accounts .....	\$645,371.46	
Less Reserve for Bad Debts.....	87,000.00	
	<u>\$558,371.46</u>	
Other Accounts—for Rents, etc.....	6,753.85	565,125.31
City of Palo Alto—part cost of Palo Alto Pipe Line less collections to date—collectible through sur- charges based on water consumption or by addi- tional lump sum payments on or before June 30, 1958 .....		167,304.52
Interfund Accounts Receivable:		
Public Services Enterprises.....	\$38,987.57	
General City and County.....	1,943.65	40,931.22
Deferred Charges:		
Materials and Supplies.....	\$279,621.79	
Commitments—Contra .....	30,932.86	
Other Deferred Charges .....	5,736.77	316,291.42
	<u>\$54,024,218.14</u>	
Total .....		

## LIABILITIES

## Bonded Debt:

Spring Valley 4½% Bonds—1928—Maturing  
\$1,000,000.00 annually to July 1, 1970:

Matured .....	\$ 4,000.00
Due July 1, 1940.....	1,000,000.00
Due July 1, 1941, to July 1, 1970.....	30,000,000.00
	<u>\$31,004,000.00</u>

Water Distribution 4% Bonds—1933—Maturing  
\$563,000.00 annually to December 1, 1952, and  
\$557,000.00 on December 1, 1953.....

7,876,000.00  
\$38,880,000.00

## Bond Interest Payable:

Matured .....	\$104,862.50	
Due July 1, 1940.....	697,500.00	
Due December 1, 1940 (accrued portion).....	26,253.33	828,615.83

## Accounts Payable and Commitments:

Warrants Outstanding .....	\$ 60,797.51	
Contracts, Purchase Orders, etc.:		
For Materials and Services received.....	53,131.28	
Commitments—Contra .....	30,932.86	144,861.65

## Consumers' Deposits and Construction Advances...\$126,835.84

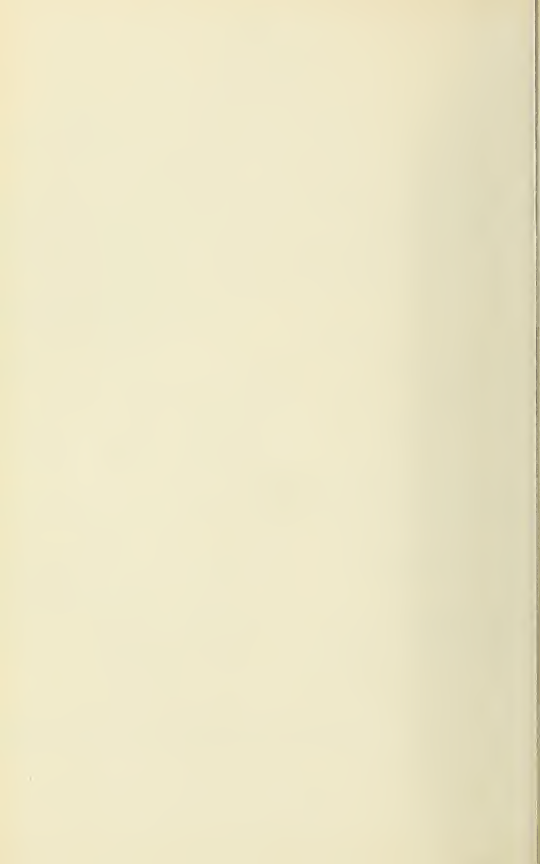
Less amounts due therefrom to other City De- partments—per Controller .....	571.91	126,263.93
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Sundry Deposits ..... 541.48

## Interfund Accounts Payable:

General City and County.....	434,371.10
Compensation Insurance Reserve.....	21,647.15
Golden Gate International Exposition remaining credit for Exposition Water System recorded cost to December 31, 1937, to be applied against water charges .....	295,970.22
Surplus .....	<u>13,291,946.78</u>
Total .....	<u>\$54,024,218.14</u>

Note: A condemnation suit judgment rendered in July, 1940, in favor of the Trustees of Christian de Guigne, Jr., deceased, by the Superior Court of San Mateo County in the principal amount of \$6,900.00 has not been provided for in the above Balance Sheet. The judgment, being for less than the original sum demanded, is open to appeal by either the plaintiff or defendant.





# SCHEDULE "1" OPERATING EXPENSES

For the Years Ended June 30, 1940, and June 30, 1939

	Year ended June 30,	
	1940	1939
Source of Water Supply:		
Superintendence .....	\$ 21,262.17	\$ 20,919.93
Operating Labor .....	27,922.18	27,978.12
Operating Supplies and Expense.....	15,924.45	15,721.10
Repairs and Maintenance—Buildings, Fixtures and Grounds .....	93,066.08	86,446.07
Repairs—Surface Facilities .....	24,742.02	42,447.84
Repairs—Miscellaneous Equipment .....	296.78	595.03
	<u>\$183,213.68</u>	<u>\$194,108.09</u>
Pumping:		
Labor—Pumping .....	\$ 40,660.85	\$ 45,048.96
Labor—Miscellaneous .....	4,190.78	2,775.03
Fuel for Steam.....	14,926.77	11,096.62
Power Purchased .....	79,009.46	107,406.01
Lubricants .....	80.70	61.89
Miscellaneous Supplies and Expense.....	1,566.21	2,119.22
Repairs—Primary Pumping Equipment.....	7,846.13	5,273.56
Repairs—Boilers and Equipment.....	904.20	290.37
Repairs—Miscellaneous Equipment .....	1,656.23	839.98
Other Repairs and Gardening.....	4,406.03	5,990.95
	<u>\$155,247.36</u>	<u>\$180,902.59</u>
Purification:		
Labor (and Superintendence).....	\$ 25,146.33	\$ 28,525.25
Supplies and Expense.....	38,700.59	31,116.44
Repairs—Plant, Structures and Equipment.....	2,032.06	4,355.50
Repairs and Maintenance—Roads and Trails.....	1,715.29	350.80
	<u>\$ 67,594.27</u>	<u>\$ 64,347.99</u>
Transmission and Distribution:		
Superintendence .....	\$ 34,165.21	\$ 32,328.06
Patrolling Storage Facilities.....	13,025.91	12,062.05
Meters and Fittings Department.....	51,950.91	55,517.14
Street Department .....	14,940.41	13,511.11
Consumers' Premises Expense.....	12,897.27	13,495.97
Miscellaneous Supplies and Expense.....	8,146.43	7,825.57
Repairs—Transmission Mains and Canals.....	11,008.85	15,368.96
Repairs—Reservoirs, Tanks and Standpipes.....	11,348.50	11,946.01
Repairs—Distribution Mains and Canals.....	73,522.31	62,557.68
Repairs—Service Connections .....	68,691.11	67,809.97
Repairs—Distribution Buildings .....	19,904.34	12,683.93
Repairs—Distribution Equipment .....	1,116.87	1,649.81
	<u>\$320,718.12</u>	<u>\$306,756.26</u>

SCHEDULE "1"—Continued  
OPERATING EXPENSES—Continued

	Year ended June 30,	
	1940	1939
<b>Commercial Expenses:</b>		
Collections .....	\$114,973.80	\$113,841.97
Reading Meters .....	38,105.87	34,466.32
Bookkeeping .....	106,703.91	106,249.31
General .....	34,491.24	32,944.42
Inspection and Service.....	47,148.35	47,193.84
Shipping .....	14,328.35	14,402.13
	<u>\$355,751.52</u>	<u>\$349,097.99</u>
<b>Administrative and General Expense:</b>		
Salaries—General Officers .....	\$ 18,684.27	\$ 18,399.84
Salaries—General Office Clerks.....	45,543.20	41,231.95
Miscellaneous Supplies and Expense.....	10,052.38	10,039.18
Injuries and Damages.....	3,028.85	1,853.59
Retirement System Contributions.....	38,217.82	37,883.23
Mason Street Building Expense.....	21,791.78	21,876.60
Telephone Service .....	15,689.23	15,563.54
Guest Cottages and Rest Room.....	1,858.44	1,521.98
General Engineering .....	43,252.90	32,556.72
Hydrography .....	2,399.53	2,809.79
Miscellaneous .....	827.54	766.70
Compensation Insurance .....	8,901.19	8,737.60
Other Insurance .....	4,723.56	5,952.15
Repairs—Mason Street Building.....	5,471.23	7,195.67
Repairs—Telephone System .....	4,909.44	5,893.49
Professional Services .....	7,300.00	7,300.00
Public Utility Commission Expense.....	44,622.32	45,209.10
Property Taxes (Outside of San Francisco).....	235,503.86	257,488.21
	<u>\$512,777.54</u>	<u>\$522,279.34</u>
Repairs—Extraordinary—Calaveras Spillway and Newark Slough Submarine Line.....		75,257.29
Professional Services—Extraordinary Depreciation Survey .....		23,017.12
Total .....	<u>\$512,777.54</u>	<u>\$620,553.75</u>

# **Hetch Hetchy Water Supply and Power Project**

## **Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1940**

**JOHN F. FORBES & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 CROCKER BUILDING  
 SAN FRANCISCO

October 1, 1940.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the Hetch Hetchy Water Supply and Power Project for the year ended June 30, 1940, and submit the following exhibits and schedules:

**Exhibit**

- A—Balance Sheet, June 30, 1940.
- B—Statement of Operations for the Fiscal Year Ended June 30, 1940.

**Schedule**

- 1—Statement of Production Expenses.
- 2—Statement of Power Transmission Expenses.
- 3—Statement of Administrative and General Expenses.

In addition to the above, we present the following comments:

**SCOPE OF EXAMINATION**

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1940, and an analytical review and test check of the revenues and expenses during the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the project and, without making a detailed audit of the transactions, have examined or tested accounting records of the project and other supporting evidence, by methods and to the extent we deemed appropriate. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1940, without regard to their classifications as to water or power.

The expert to the Grand Jury participated in the examination.

**OPERATIONS**

On Exhibit B of this report will be found details of the operations of the project for the year under review.

The operations of the water supply division are financed by contributions from the San Francisco Water Department and from taxes of the City and County of San Francisco. These contributions have been credited in the accounts to "Contributed Surplus." Also, reimbursements of the estimated expenses applicable to power operations have been received from the power division. These reimbursements have been credited by the water supply division to operating expense accounts. It will be observed that the operating statement does not include any other revenue for water supplied to the San Francisco Water Department.

Section 64 of the City Charter provides, in part, that the Public Utilities Commission shall maintain accounts for each utility in such a manner as to exhibit estimates of the amounts of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. During the year under review, city, county and irrigation district taxes aggregating \$8,636.14, were paid by the Hetch Hetchy Water Supply and Power

Project. Additional taxes to which the project would be subject for the year ended June 30, 1940, if privately owned and operated are listed below:

1. Federal income tax: normal tax;  $16\frac{1}{2}$  - 19% of net income as defined by the Federal Internal Revenue Code.
2. Federal capital stock tax: \$1.10 per \$1,000.00 of declared value of capital stock.
3. Federal excess profits tax: 6% of such portion of net income as is in excess of 10% and not in excess of 15% of declared value of capital stock; 12% of such portion of net income as is in excess of 15% of declared value of capital stock.
4. California State franchise tax: 4% of net income as defined by the California Bank and Corporation Franchise Tax Act.
5. Federal and State unemployment insurance and Federal old-age benefits pay roll taxes. In this connection, however, it should be noted that the amount accrued by this project for the retirement benefits of its employees is greater than the taxes that would be assessable against a private utility under the Federal Social Security and State Unemployment Insurance Acts.

### CONTRACT WITH THE PACIFIC GAS AND ELECTRIC COMPANY

The United States Supreme Court has rendered a decision that the agency contract executed in 1925, with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power, is in violation of the Raker Act. As a result of negotiations between the City authorities and the Secretary of the Interior, the Federal District Court has suspended to June 30, 1941, the effective date of the injunction that will, when issued, restrain the City from disposing of power under the contract in question. In the meantime, the City is obligated to either negotiate a lease of the distribution facilities of the Pacific Gas and Electric Company, or submit, at a special election not later than December 17, 1940, a charter amendment authorizing revenue bonds to finance the acquisition or construction of an adequate distributing system, and, in addition, to take all necessary steps to otherwise comply with the provisions of the Raker Act.

The following comments relate to assets and liabilities appearing on Exhibit A of this report:

#### PROPERTIES—\$106,083,900.75

As previously mentioned herein, our verification of the property accounts was limited to a review of the recorded additions and betterments during the year ended June 30, 1940, without regard to their classifications as to water or power.

Following is a condensed summary of the property accounts as recorded in the books, showing the changes therein during the year:

	Total	Water	Power
Balance, June 30, 1939.....	\$106,191,881.12	\$93,685,614.68	\$12,506,266.44
Additions .....	75,535.76	19,127.28	56,408.48
Departmental transfer .....	.....	1,161.66	1,161.66
Total .....	<u>\$106,267,416.88</u>	<u>\$93,705,903.62</u>	<u>\$12,561,513.26</u>
Deduct:			
Retirements .....	\$ 179,573.24	\$ 7,003.39	\$ 172,569.85
Automotive equipment transferred to the San Francisco Water Department .....	3,942.89	.....	3,942.89
Total deductions .....	<u>\$ 183,516.13</u>	<u>\$ 7,003.39</u>	<u>\$ 176,512.74</u>
Balance, June 30, 1940.....	<u>\$106,083,900.75</u>	<u>\$93,698,900.23</u>	<u>\$12,385,000.52</u>

In accordance with your request, we have reviewed the reallocations made between the Water Supply and Power Divisions of expenditures for fixed capital in service and of bonded indebtedness of the project, under the direction of the Public Utilities Commission, as of June 30, 1938.

In general, the reallocations in question were based upon an appraisal of the properties made by the Bureau of Engineering of the Public Utilities Commission in order to determine the amount of the reasonable annual depreciation requirement under Section 128 of the City Charter of the City and County of San Francisco which requires that during the year 1937-1938, and at least every five years thereafter, the Commission shall make an appraisal or may revise the last preceding appraisal of the value and probable useful life of each of the several classes of property of each utility under the jurisdiction of the Commission.

The properties were allocated to the two divisions on the following basis:

- Power Division—Property used exclusively for power purposes, and  
 Water Division—All other property, i.e., property used exclusively for water purposes and that used jointly for power and water purposes.

Coincident therewith, the bonded indebtedness of the project outstanding as of June 30, 1938, was allocated "on the basis of the percentage relationships of the gross appraisal amounts for the two divisions" as shown below:

	Gross Appraisal Including Construction Work in Progress	Per- centage	Amount of Bonded In- debtedness, in Even Thousands
Water Division .....	\$ 95,269,346	88.4%	\$60,177,000
Power Division .....	12,484,771	11.6%	7,896,000
Total.....	<u>\$107,754,117</u>	<u>100.0%</u>	<u>\$68,073,000</u>

Based upon our review, it is our opinion that the reallocations made of fixed capital in service and bonded indebtedness of the project appear to be inequitable, and in any event do not conform with the general principles of the Raker Act pertaining thereto. The primary reason for this opinion is that all property used jointly for power and water purposes has been allocated entirely to the water supply division, as a result of which it is not possible, without detailed cost studies and/or analyses, to establish accurate costs of furnishing water and power as required under the Raker Act. A further reason is that, although the object of the enlargement of the O'Shaughnessy Dam was, in part, "to permit the operation of the Moccasin Power Plant at full capacity throughout each year," the entire construction cost of the enlargement has been allocated to water operations.

In substantiation of our conclusion, we quote the following from the provisions of the Raker Act:

Section 9(d):

In connection with the sale of water to the Modesto and Turlock irrigation districts in excess of that to which they are entitled under the Act, such sales are to be made "at such a price as will return to the grantee the actual total costs of providing such stored water, such costs to be computed in accordance with the currently accepted practice of public cost accounting as may be determined by the Secretary of the Interior, including, however, a fair proportion of the cost to said grantee of the conduit, lands, dams, and water-supply system included in the Hetch Hetchy and Lake Eleanor sites; . . ."

## Section 9(m):

"... The said grantee shall develop and use hydroelectric power for the use of its people and shall, at prices to be fixed under the laws of California or, in the absence of such laws, at prices approved by the Secretary of the Interior, sell or supply such power for irrigation, pumping, or other beneficial use, said prices not to be less than will return to said grantee the actual total costs of providing and supplying said power, which costs shall be computed in accordance with the currently accepted practice of public cost accounting, as shall be determined by the Secretary of the Interior, including, however, a fair proportion of cost of conduit, lands, dams, and water-supply system; . . ."

As a result of studies made to determine the proper method or methods of reallocation of expenditures for facilities jointly used, suggestions as to plans to be followed have been submitted to the United States Department of the Interior for consideration and agreement.

Section 122 of the City Charter provides that the Hetch Hetchy Project, when completed, shall be merged with the San Francisco Water Department. In view of this provision and the fact that the flow of water from the "Project" commenced in October, 1934, we requested an opinion from the City Attorney as to whether or not the project was completed as of June 30, 1940, within the meaning of the City Charter. In his reply, the City Attorney has stated that, in his opinion, the project is far from completion.

In an opinion, dated February 14, 1940, regarding this question, rendered to the Controller by the City Attorney, the following statement appears:

"As there is additional work to be done on the Hetch Hetchy project before it will be looked upon as completed, I am of the opinion that as yet there is no merger with the San Francisco Water Department and that each project is a separate utility, and should be handled as such, and the income from each applied as provided in the Charter."

Subsequently, the Controller requested a further opinion from the City Attorney as to whether or not the Hetch Hetchy Project, if considered a separate utility, is subject to the rate-making provisions of Section 130 of the City Charter. We understand that to date the City Attorney has not rendered a decision on this point.

## RESERVES FOR DEPRECIATION—\$10,289,277.51

Following is an analysis of the reserve for depreciation accounts showing the changes therein during the period under review:

	Total	Water	Power
Balance, June 30, 1939.....	\$ 8,793,028.12	\$5,100,238.81	\$3,692,789.31
Add:			
Provision for the year computed on the straight-line method, applied to the depreciable portions of cost and useful lives of the respective assets, as established by the Bureau of Engineering of the Public Utilities Commission .....	1,586,582.07	1,308,110.08	278,471.99
Additional provision to cover loss on plant retirements (see below*) .....	45,934.58	1,373.41	44,561.17
Departmental transfer .....		121.48	121.48
Total—(Forward) .....	\$10,425,544.77	\$6,409,843.78	\$4,015,700.99

	Total	Water	Power
Total—(Forward) .....	\$10,425,544.77	\$6,409,843.78	\$4,015,700.99
Deduct:			
Plant retirements and cost of removal .....	\$ 189,314.18	\$ 7,003.39	\$ 182,310.79
Less salvage recovered.....	54,164.08	1,050.46	53,113.62
Remainder .....	\$ 135,150.10	\$ 5,952.93	\$ 129,197.17
Accrued depreciation of automotive equipment transferred to the San Francisco Water Department .....	1,117.16	.....	1,117.16
Total deductions .....	\$ 136,267.26	\$ 5,952.93	\$ 130,314.33
Balance, June 30, 1940.....	\$10,289,277.51	\$6,403,890.85	\$3,885,386.66
*Charged to surplus.....			\$18,190.38
Charged to operations (see Exhibit B).....			27,744.20
Total.....			\$45,934.58

The Board of Supervisors appropriated \$39,701.00 for reconstruction and replacement expenditures of the power division during the year under review, and this amount was transferred from the operating fund to the reconstruction and replacement fund. The balance in the latter fund at June 30, 1940, which was on deposit with the City Treasurer, amounted to \$274,808.40.

Under Section 128.1 of the City Charter, the Public Utilities Commission is required to provide sufficient funds for reconstruction and replacements due to physical and functional depreciation of each of the utilities under the jurisdiction of the Commission, in accordance with established practice for utilities of similar character. The status of a fund of this nature created by the Municipal Railway of San Francisco is now being tested in the Superior Court of the City and County of San Francisco in the matter of *Putnam vs. The City and County of San Francisco*. It would appear that final decision in that case will have a bearing upon the principles and practices involved in the creation of the fund for reconstruction and replacements of units of the Hetch Hetchy Water Supply and Power Project.

## CASH

### On Deposit With Treasurer—\$2,462,940.23

The cash on deposit with the Treasurer as of June 30, 1940, is composed of the following funds:

	Total	Water	Power
Construction .....	\$ 123,136.13	\$ 123,136.13	.....
Bond redemption .....	1,011,000.00	1,011,000.00	.....
Bond interest .....	891,676.25	891,676.25	.....
Operating .....	161,016.95	80,648.62	\$ 80,368.33
Depreciation .....	274,808.40	.....	274,808.40
Land purchase .....	1,302.50	1,302.50	.....
Total.....	\$2,462,940.23	\$2,107,763.50	\$355,176.73



These balances were verified by the auditing staff of the Controller's office. We inspected the report on such verification and ascertained that the balances in the respective funds as recorded on the books were in agreement therewith.

#### Other—\$7,343.98

The above amount is composed of the following:

	Total	Water	Power
Revolving funds:			
Bank balances (verified by certifications obtained from depositaries).....	\$5,195.95	\$2,521.05	\$2,674.90
Cash fund at city office (verified by count) ..	400.00	400.00	.....
Reimbursements in transit, offset by liabilities included in accounts payable.....	1,191.13	900.84	290.29
Total, per books.....	\$6,787.08	\$3,821.89	\$2,965.19
Pay roll deductions in transit (deposited in July, 1940) .....	556.90	108.75	448.15
Total.....	<u>\$7,343.98</u>	<u>\$3,930.64</u>	<u>\$3,413.34</u>

#### ACCOUNTS RECEIVABLE—\$200,568.05

The accounts grouped under this caption are as follows:

Pacific Gas and Electric Company for power sales from the Moccasin and Early Intake power houses, for the month of June, 1940.....	\$200,058.54
Miscellaneous accounts for electric energy, etc.....	509.51
Total.....	<u>\$200,568.05</u>

With the exception of balances aggregating \$97.78, all of the above accounts had been collected at the time of our examination.

#### DEFERRED CHARGES

##### Estimated Salvage Value—Corral Hollow Pipe Line—\$273,850.00

This account represents the estimated salvage value established by the Bureau of Engineering of the Public Utilities Commission as of June 30, 1938, of the Corral Hollow Pipe Line which has been retired from service. There has been no change in this account during the year under review.

##### Materials and Supplies—\$16,947.01

The above amount is composed of the following:

Book inventory—Moccasin materials and supplies.....	\$16,637.03
Gasoline and oil at Livermore, based on physical inventory.....	51.48
Postage stamps at city office (verified by count).....	258.50
Total.....	<u>\$16,947.01</u>

Physical inventories of the Moccasin materials and supplies were taken as of December 31, 1939, and May 31, 1940, and the ledger accounts adjusted to agree therewith.

**Prepaid Rent, Etc.—\$20,220.72**

The composition of the above amount is as follows:

One-half of \$30,000.00 rent due to the United States Government under the Baker Act, for the calendar year 1940.....	\$15,000.00
Extension of electric energy line to serve Tesla Portal Chlorinating System .....	3,004.75
Work in progress.....	2,208.17
Miscellaneous .....	7.80
<b>Total.....</b>	<b>\$20,220.72</b>

**BONDED DEBT—\$63,611,000.00**

Following is a summary of the bonds authorized and sold in connection with the Hetch Hetchy Water Supply and Power Project, together with those redeemed and those outstanding as of June 30, 1940:

Issued	Authorized and Sold	Redeemed in Prior Years	Redeemed During Year Under Review	Outstanding, June 30, 1940
Jan. 1, 1909,				
4½%.....	\$ 600,000.00	\$ 600,000.00	.....	.....
July 1, 1910,				
4½%.....	45,000,000.00	18,994,000.00	\$1,005,000.00	\$25,001,000.00
Jan. 1, 1925,				
5%.....	10,000,000.00	2,500,000.00	250,000.00	7,250,000.00
July 1, 1928,				
4½%.....	24,000,000.00	598,000.00	602,000.00	22,800,000.00
June 1, 1932,				
5¾%.....	4,325,000.00	169,000.00	159,000.00	3,997,000.00
5%.....	1,234,000.00	21,000.00	21,000.00	1,192,000.00
4½%.....	143,000.00	.....	.....	143,000.00
4%.....	280,000.00	10,000.00	10,000.00	260,000.00
3%.....	194,000.00	.....	.....	194,000.00
2¾%.....	324,000.00	.....	.....	324,000.00
Dec. 1, 1933,				
4%.....	3,500,000.00	875,000.00	175,000.00	2,450,000.00
<b>Total.....</b>	<b>\$89,600,000.00</b>	<b>\$23,767,000.00</b>	<b>\$2,222,000.00</b>	<b>\$63,611,000.00</b>

**BOND INTEREST—\$1,439,544.36**

The composition of this liability is as follows:

	Total	Due July 1, 1940	Matured, Not Paid	Accrued, Not Due
July 1, 1910, 4½%.....	\$ 578,722.50	\$ 562,500.00	\$ 16,222.50	.....
Jan. 1, 1925, 5%.....	184,400.00	181,250.00	3,150.00	.....
July 1, 1928, 4½%.....	527,332.50	513,000.00	14,332.50	.....
June 1, 1932,				
5¾%.....	76,201.87	.....	57,097.50	\$19,104.37
5%.....	16,491.67	.....	11,525.00	4,966.67
4½%.....	1,031.25	.....	495.00	536.25
4%.....	2,506.65	.....	1,640.00	866.65
3%.....	1,760.00	.....	1,275.00	485.00
2¾%.....	3,011.25	.....	2,268.75	742.50
Dec. 1, 1933, 4%.....	48,086.67	.....	39,920.00	8,166.67
<b>Total.....</b>	<b>\$1,439,544.36</b>	<b>\$1,256,750.00</b>	<b>\$147,926.25</b>	<b>\$34,868.11</b>

## CONTRACTS, PURCHASE ORDERS, AND OTHER COMMITMENTS—\$18,842.60

These liabilities, which have been reconciled with the Controller's records, are as follows:

	Total	Water	Power
Reconstruction and replacements.	\$ 1,028.35	.....	\$1,028.35
Contracts .....	2,167.92	\$2,167.92	.....
Purchase orders .....	13,505.20	4,975.30	8,529.90
Miscellaneous .....	2,141.13	1,850.84	290.29
Total.....	<u>\$18,842.60</u>	<u>\$8,994.06</u>	<u>\$9,848.54</u>

## WARRANTS OUTSTANDING—\$34,251.19

Following is a summary of the warrants outstanding as of June 30, 1940, which were verified by comparison with the records maintained in the Controller's office:

Water supply:	
Operating fund .....	\$ 8,300.68
Construction fund .....	20,506.00
Power Division—Operating fund.....	<u>5,444.51</u>
Total.....	<u>\$34,251.19</u>

## SURPLUS—\$33,401,019.14

The changes in the surplus accounts during the year under review are indicated in the following statement:

Balance, June 30, 1939, per audit report.....	\$34,260,753.01
Add:	
Contributions from taxes for bond interest and redemption .....	\$1,007,944.00
Contributions from San Francisco Water Dept.:	
For bond interest and redemption.....	547,719.00
For operating expenses.....	131,314.75
For additions and betterments.....	2,675.89
Miscellaneous .....	<u>724.50</u>
Total .....	<u>1,690,378.14</u>
Total .....	<u>\$35,951,131.15</u>
Deduct:	
Net loss for the year, per Exhibit B.....	\$ 2,528,963.91
Loss on sale of copper cable stored at Millbrae:	
Salvage value established in appraisal as of June 30, 1938.....	\$ 71,304.00
Less proceeds from sale.....	<u>53,113.62</u>
Equipment, etc., transferred to the San Francisco Water Department.....	2,941.41
Miscellaneous .....	<u>16.31</u>
Total deductions.....	<u>\$ 2,550,112.01</u>
Balance, June 30, 1940.....	<u>\$33,401,019.14</u>

### CONTINGENT LIABILITIES

We requested information from the City Attorney's Office as to contingent liabilities existing by reason of pending litigation and were informed that approximately sixty-five riparian lawsuits are pending in Stanislaus, San Joaquin, Tuolumne, Contra Costa, and Alameda Counties, as well as other suits for the drying up of springs and wells on ranches along the line of the Hetch Hetchy Aqueduct. Also, in connection with the raising of the O'Shaughnessy Dam, the contractor has filed a claim for approximately \$450,000.00 in excess of the contract price, and a patent infringement suit is pending. In connection with the latter, the Controller has withheld payment of \$20,000.00 to the contractor. Other contingent liabilities are as follows:

United States Government, for maintenance of roads and trails for fiscal years 1928 to 1939, inclusive...	<u>\$25,294.23</u>
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Sales taxes on equipment sold, and cement and other merchandise for the construction of Hetch Hetchy tunnels, in the approximate amount of.....	<u>\$22,000.00</u>
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Yours truly,

JOHN F. FORBES & COMPANY.

## EXHIBIT A

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**BALANCE SHEET, JUNE 30, 1940**

**ASSETS**

<b>PROPERTIES (see comments):</b>		
Fixed capital in service.....	\$105,622,270.56	
Fixed capital under construction.....	705.19	
Amazon and Glen Park reservoir sites (nonoperative) .....	460,925.00	
Total .....	\$106,083,900.75	
Less reserves for depreciation.....	10,289,277.51	
Remainder, depreciated value.....		\$95,794,623.24
<b>CASH:</b>		
On deposit with treasurer.....	\$ 2,462,940.23	
Other .....	7,343.98	
Total cash .....		2,470,284.21
<b>ACCOUNTS RECEIVABLE .....</b>		200,568.05
<b>INTERFUND ACCOUNTS:</b>		
Public service enterprises.....	\$ 10,736.55	
General city and county.....	297.88	
Total interfund accounts.....		11,034.43
<b>DEFERRED CHARGES:</b>		
Estimated salvage value—Corral Hollow Pipe Line .....	\$ 273,850.00	
Materials and supplies.....	16,947.01	
Uncompleted contracts, purchase orders, and other commitments .....	9,169.74	
Prepaid rent, etc.....	20,220.72	
Total deferred charges.....		320,187.47
 TOTAL .....		 <u>\$98,796,697.40</u>

**LIABILITIES**

<b>BONDED DEBT:</b>		
Due July 1, 1940.....	\$ 1,600,000.00	
Due December 1, 1940, to July 1, 1977.....	62,000,000.00	
Matured bonds not presented for payment....	11,000.00	
Total bonded debt.....		\$63,611,000.00
<b>BOND INTEREST:</b>		
Due July 1, 1940.....	\$ 1,256,750.00	
Matured coupons not presented for payment.	147,926.25	
Accrued, not due.....	34,868.11	
Total bond interest.....		1,439,544.36
<b>ACCOUNTS PAYABLE:</b>		
Contracts, purchase orders, and other commit- ments .....	\$ 18,842.60	
Warrants outstanding .....	34,251.19	
Rental due United States Government under the Raker Act.....	30,000.00	
Total accounts payable.....		83,093.79
<b>INTERFUND ACCOUNTS:</b>		
Public service enterprises.....	\$ 25,737.78	
General city and county.....	221,889.40	
Total interfund accounts.....		247,627.18
<b>DEFERRED CREDITS:</b>		
Operating reserves .....	\$ 9,728.36	
Advance from San Francisco Water Depart- ment for work not yet performed.....	4,676.77	
Miscellaneous .....	7.80	
Total deferred credits.....		14,412.93
<b>SURPLUS (see comments).....</b>		<u>33,401,019.14</u>
TOTAL .....		<u>\$98,796,697.40</u>

Note: See accompanying comments with respect to contingent liabilities.



## EXHIBIT B

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF OPERATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1940**

REVENUES:	Total	Water Supply	Power
Power sales:			
Moccasin Power House:			
Through the Pacific Gas and			
Electric Company .....	\$8,636,265.93	.....	\$8,636,265.93
Less distribution commission..	6,310,087.70	.....	6,310,087.70
Remainder .....	\$2,326,178.23	.....	\$2,326,178.23
Miscellaneous .....	486.96	.....	486.96
Total .....	\$2,326,665.19	.....	\$2,326,665.19
Early Intake Power House:			
Through the Pacific Gas and			
Electric Company .....	\$ 308,455.36	.....	\$ 308,455.36
Less distribution commission..	225,372.92	.....	225,372.92
Remainder .....	\$ 83,082.44	.....	\$ 83,082.44
Miscellaneous .....	2,675.62	.....	2,675.62
Total .....	\$ 85,758.06	.....	\$ 85,758.06
Total power sales.....	\$2,412,423.25	.....	\$2,412,423.25
Other revenues:			
Rents .....	\$ 9,592.49	\$ 2,509.70	\$ 7,082.79
Meals .....	3,677.42	.....	3,677.42
Sale of water.....	6.63	.....	6.63
Miscellaneous .....	656.00	57.81	598.19
Total .....	\$ 13,932.54	\$ 2,567.51	\$ 11,365.03
Total revenues .....	\$2,426,355.79	\$ 2,567.51	\$2,423,788.28
EXPENSES (exclusive of provision for depreciation):			
Production (Schedule 1).....	\$ 188,507.80	\$ 43,981.04	\$ 144,526.76
Transmission (Schedule 2).....	29,148.78	.....	29,148.78
Administrative and general, (Schedule 3) .....	172,015.81	88,216.98	83,798.83
Total expenses—			
(Forward) .....	\$ 389,672.39	\$132,198.02	\$ 257,474.37

## EXHIBIT B (Continued)

# HETCH HETCHY WATER SUPPLY AND POWER PROJECT STATEMENT OF OPERATIONS (Continued)

	Total	Water Supply	Power
TOTAL REVENUES—(Forward) ...	\$2,426,355.79	\$ 2,567.51	\$2,423,788.28
TOTAL EXPENSES—(Forward) ....	\$ 389,672.39	\$132,198.02	\$ 257,474.37
NET INCOME (LOSS IN ITALICS) BEFORE DEDUCTING BOND IN- TEREST, PROVISION FOR DE- PRECIATION, AND PROPERTY LOSSES .....	\$2,036,683.40	<u>\$129,630.51</u>	<u>\$2,166,313.91</u>
BOND INTEREST .....	<u>2,951,321.04</u>		
NET LOSS BEFORE DEDUCTING PROVISION FOR DEPRECIATION AND PROPERTY LOSSES.....	<u>\$ 914,637.64</u>		
DEDUCT:			
Provision for depreciation.....	\$1,586,582.07		
Loss on plant retirements.....	<u>27,744.20</u>		
Total .....	<u>\$1,614,326.27</u>		
NET LOSS TRANSFERRED TO SUR- PLUS .....	<u>\$2,528,963.91</u>		

## NOTES:

The above statement does not include any revenue for water supplied to the San Francisco Water Department. However, during the year under review, the latter department has contributed \$681,709.64 towards the bond redemption, bond interest, additions and betterments, and operating expenses of the Hetch Hetchy Water Supply. These contributions have been credited to surplus.

While the capital expenditures have been reallocated between the two divisions, no change has been made in the estimated proportions of the expenses of the water division chargeable to the power division.

The agency contract with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power has been found by the United States Supreme Court to be in violation of the Raker Act. The effective date of the injunction to be issued has been extended to June 30, 1941. See accompanying comments for further details.



## EXHIBIT B—SCHEDULE 1

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF PRODUCTION EXPENSES FOR THE  
FISCAL YEAR ENDED JUNE 30, 1940**

	Total	Water Supply	Power
<b>OPERATION:</b>			
Superintendence .....	\$ 9,317.48	.....	\$ 9,317.48
Hydraulic labor .....	12,762.39	.....	12,762.39
Station labor .....	44,873.83	.....	44,873.83
Miscellaneous labor .....	16,540.71	\$10,543.56	5,997.15
Contributions to retirement system....	3,723.81	754.80	2,969.01
Supplies and expenses.....	17,471.51	1,805.40	15,666.11
Total .....	<u>\$104,689.73</u>	<u>\$13,103.76</u>	<u>\$ 91,585.97</u>
<b>MAINTENANCE:</b>			
Buildings and structures.....	\$ 27,038.14	\$ 4,508.84	\$ 22,529.30
Reservoirs, dams, and intakes.....	7,595.39	1,519.08	6,076.31
Waterways .....	1,168.13	122.51	1,045.62
Pipelines .....	5,000.40	5,000.40	.....
Forebays, penstocks, and tailraces.....	1,771.00	.....	1,771.00
Roads and trails.....	14,661.99	8,703.84	5,958.15
Aqueduct tunnels .....	2,498.08	2,498.08	.....
Hydraulic power plant equipment.....	3,563.67	.....	3,563.67
Miscellaneous equipment, etc.....	5,086.26	2,620.56	2,465.70
Automotive transportation equipment, less transportation charges distributed	3,400.00	2,007.67	1,392.33
Total .....	<u>\$ 71,783.06</u>	<u>\$26,980.98</u>	<u>\$ 44,802.08</u>
<b>MISCELLANEOUS:</b>			
Rent .....	\$ 90.00	\$ 90.00	.....
Communication system .....	7,187.14	.....	\$ 7,187.14
Hydrography .....	4,757.87	3,806.30	951.57
Total .....	<u>\$ 12,035.01</u>	<u>\$ 3,896.30</u>	<u>\$ 8,138.71</u>
<b>TOTAL .....</b>	<u><u>\$188,507.80</u></u>	<u><u>\$43,981.04</u></u>	<u><u>\$144,526.76</u></u>

## EXHIBIT B—SCHEDULE 2

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF POWER TRANSMISSION EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1940**

**OPERATION:**

Superintendence .....	\$2,834.55	
Transmission line labor.....	8,790.00	
Transmission line supplies and expenses.....	1,203.64	
Contributions to retirement system.....	481.32	
Total .....		\$13,309.51

**MAINTENANCE:**

Transmission structures .....	\$ 446.62	
Substation equipment .....	2,586.12	
Towers and fixtures.....	355.63	
Tower line conductors.....	2,251.45	
Poles and fixtures.....	6,657.29	
Pole line conductors.....	825.88	
Roads and trails.....	1,219.55	
Miscellaneous .....	1,466.73	
Total .....		15,809.27

MISCELLANEOUS—TRANSMISSION RENTS .....	30.00
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TOTAL .....	<u>\$29,148.78</u>
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## EXHIBIT B—SCHEDULE 3

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1940**

	Total	Water Supply	Power
Salaries and wages.....	\$ 38,501.10	\$29,480.08	\$ 9,021.02
Contributions to retirement system.....	1,543.16	978.23	564.93
Services of other departments.....	45,358.06	6,425.22	38,932.84
Professional services .....	2,750.18	1,236.75	1,513.43
Stationery, office supplies and postage....	376.68	209.06	167.62
Telephone and telegraph.....	721.40	571.00	150.40
Traveling expenses .....	711.61	334.83	376.78
Automobile insurance .....	1,176.32	780.50	395.82
Water rights and damage claims.....	26,877.81	26,877.81	.....
Raker Act and other litigation.....	15,099.43	1,914.93	13,184.50
Rent paid under Raker Act.....	30,000.00	15,000.00	15,000.00
City, county, and irrigation district taxes.	8,636.14	4,318.07	4,318.07
Miscellaneous .....	263.92	90.50	173.42
Total .....	<u>\$172,015.81</u>	<u>\$88,216.98</u>	<u>\$83,798.83</u>

# **Municipal Railway of San Francisco**

## **Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1940**

**ERNST & ERNST**  
**ACCOUNTANTS AND AUDITORS**  
**SYSTEM SERVICE**  
**SAN FRANCISCO**  
485 California Street

October 16, 1940.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

In accordance with your instructions issued under powers delegated to you by Ordinance No. 9-0621, we have made an examination of the proprietary balance sheet of the MUNICIPAL RAILWAY OF SAN FRANCISCO, as of June 30, 1940, and of the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Railway and, without making a detailed audit of the transactions, have examined or tested accounting records of the Railway and other supporting evidence by methods and to the extent we deemed appropriate.

The expert to the Grand Jury participated in the examination.

In the accompanying statements and following comments various data relating to the year ended June 30, 1939, are used for comparative purposes. Such data have been taken from the report of the auditors for that year.

**CONDENSED COMPARATIVE BALANCE SHEETS**

A summary of the balance sheets at June 30, 1940, and June 30, 1939, follows:

**ASSETS**

	June 30, 1940	June 30, 1939	Increase Decrease*
Fixed capital .....	\$4,156,498.47	\$4,181,836.28	\$ 25,337.81*
Cash .....	1,398,572.99	1,379,071.02	19,501.97
Accounts receivable .....	8,386.68	1,709.00	6,677.68
Interfund accounts receivable.....	56,500.59	55,764.24	736.35
Deferred charges .....	701,524.45	355,088.07	346,436.38
	<u>\$6,321,483.18</u>	<u>\$5,973,468.61</u>	<u>\$348,014.57</u>

**LIABILITIES AND SURPLUS**

	June 30, 1940	June 30, 1939	Increase Decrease*
Bonded debt .....	\$1,300,400.00	\$1,401,200.00	\$100,800.00*
Bond interest payable.....	16,924.16	18,815.83	1,891.67*
Accounts payable .....	507,077.90	422,624.33	84,453.57
Interfund accounts payable.....	164,540.14	77,250.34	87,289.80
Reserves .....	96,098.55	98,785.54	2,686.99*
Surplus .....	4,236,442.43	3,954,792.57	281,649.86
	<u>\$6,321,483.18</u>	<u>\$5,973,468.61</u>	<u>\$348,014.57</u>

## OPERATIONS

A summary of the income statement for the fiscal year ended June 30, 1940, is presented and compared with the income statement for the preceding year, together with other pertinent operating data, as follows:

	Year Ended June 30, 1940	1939	Increase Decrease*
Operating revenue .....	\$4,180,591.61	\$4,143,548.62	\$ 37,042.99
Operating expenses .....	3,848,401.22	3,683,388.22	165,013.00
Operating income .....	\$ 332,190.39	\$ 460,160.40	\$127,970.01*
Other income .....	11,144.94	4,279.97	6,864.97
	\$ 343,335.33	\$ 464,440.37	\$121,105.04*
Bond interest .....	67,083.33	72,083.33	5,000.00*
Net income .....	\$ 276,252.00	\$ 392,357.04	\$116,105.04*
Operating data:			
Car mileage operated:			
Street cars .....	8,740,518	9,040,147	299,629*
Buses .....	1,317,798	769,921	547,877
Total .....	10,058,316	9,810,068	248,248
Car hours operated:			
Street cars .....	920,004	922,999	2,995*
Buses .....	129,716	80,127	49,589
Total .....	1,049,720	1,003,126	46,594

During the year ended June 30, 1940, service on five new bus lines was inaugurated, while service on one street car line was discontinued. Operating revenue increased only slightly with this extension of service, but operating expenses increased substantially as a result.

Section 64 of the City Charter provides in part that the Public Utilities Commission shall maintain separate accounts for each utility in such manner as to exhibit exact and complete financial results of ownership, management and operation; estimates of the amount of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated; and that the accounts shall be maintained in accordance with the requirements of the State Railroad Commission.

A complete set of accounting records has been maintained by the Railway in accordance with the "Uniform System of Accounts for Electric Railways" prescribed by the California Railroad Commission. Memorandum accounts designated as "Comparative Charges for Taxes" have been established in the records for recording the estimated amount of taxes which would be expended if the Railway were operated as a privately owned utility, but these amounts have not been charged against operations. Comparative charges for taxes as recorded for the year ended June 30, 1940, were as follows:

City franchise tax .....	\$ 26,830.04
City property tax .....	103,397.56
	\$130,227.60
Water furnished by the San Francisco Water Department .....	1,884.29
Total .....	\$132,111.89

City franchise tax is calculated at .6415% of passenger and advertising revenue, that being the rate assessed to the Market Street Railway Company as set by Ordinance 15.0919. As no assessed valuation has been placed on the properties of the Municipal Railway, property tax has been calculated on the basis of 2.5% of passenger revenue, that being the approximate relationship existing in 1934 between revenue of, and tax assessed to, the Market Street Railway Company. In our opinion, the basis used for estimating city property taxes under Section 64 of the City Charter should be reviewed and brought up to date.

No estimates have been made for other taxes which would be payable by a privately owned utility nor is it practicable to do so. Such other taxes include federal income, capital stock, excess profits and payroll taxes and State franchise and payroll taxes. Payments made by the Railway to the City and County Employees' Retirement System exceed existing federal and State payroll taxes.

### SCOPE OF EXAMINATION AND OTHER COMMENTS

The following comments relate to the assets and liabilities set forth in the accompanying balance sheet and to the scope of our examination.

#### Fixed Capital—\$4,156,498.47

Attention is directed to the accompanying schedule of Fixed Capital wherein are summarized the transactions affecting these accounts during the fiscal year under review. Additions and retirements affecting road and equipment are summarized as follows:

Balance at June 30, 1939.....		\$10,331,592.23
Additions:		
New property and equipment acquired.....	\$ 66,779.94	
New construction in progress and uncompleted..	55,743.75	
	<u>\$122,523.69</u>	
Replacement of existing road and equipment.....	235,100.09	357,623.78
		<u>\$10,689,216.01</u>
Deductions:		
Estimated cost of road and equipment replaced and retired .....		118,427.96
Balance at June 30, 1940.....		<u>\$10,570,788.05</u>

Due to the Putnam suit against the City and County of San Francisco as hereinafter commented upon, new construction projects have been stopped pending final disposition of the suit. Projects held up include the Howard street trolley bus line, a bus garage, additional motor buses, and extension of the Seventeenth street storage yard. Encumbrances recorded for contracts and purchase orders awarded and issued in connection with unfinished extension and betterment projects aggregate \$224,098.30 in excess of the amount of \$55,743.75 expended to date.

During the year under review a number of waiting stations were erected under a Federal Works Progress Administration project. Engineers for the Railway have appraised the value of labor and materials contributed by W.P.A. at \$5,317.86 and this amount has been recorded as an addition to road and equipment with a corresponding credit to contributed surplus.

Following is a summary of the transactions for the year affecting the reserve for depreciation:

Balance at June 30, 1939.....	\$6,149,755.95
Add provision for depreciation charged to operations .....	378,369.91
	<u>\$6,528,125.86</u>
Deduct estimated depreciation on road and equipment replaced and retired.....	113,836.28
	<u>\$6,414,289.58</u>
Balance at June 30, 1940.....	<u><u>\$6,414,289.58</u></u>

Provision for depreciation has been based upon the estimated remaining useful life of assets as determined by engineers for the Railway as of June 30, 1938, and is consistent with the method followed in the previous year.

Road and equipment are stated at cost, less reserve for depreciation as determined by appraisal at June 30, 1938, subsequently increased by depreciation provided at rates fixed at that date and decreased by estimated depreciation on assets replaced and retired. We tested additions to road and equipment by examination of contracts, purchase orders, invoices and other data and thereby satisfied ourselves that additions were properly capitalized. Examination of the minutes of the Public Utilities Commission showed that all major additions had been approved by that body. Computation of the provision for depreciation was checked by us.

#### Cash—\$1,398,572.99

Cash on deposit with the Treasurer of the City and County of San Francisco was confirmed directly to us by the Treasurer. In addition we reviewed the report of the Controller's audit staff on the examination of the Treasurer's records as of June 30, 1940, made pursuant to Section 66 of the Charter. Cash on deposit is held in the following funds:

Operating fund .....	\$ 995,975.48
Reconstruction and replacement fund.....	383,872.51
Accident reserve fund.....	317.50
Bond interest funds.....	11,507.50
Bond redemption fund.....	400.00
	<u>Total .....</u>
	<u><u>\$1,392,072.99</u></u>

At June 30, 1940, there was due to the reconstruction and replacement fund from the operating fund the net amount of \$135,764.43. The reconstruction and replacement fund was established under Section 128.1 of the Charter. Attention is directed to the comments hereinafter contained under the title of litigation.

All accident claims have been paid from the operating fund during the year under review in view of the doubt that exists as to whether Ordinance 8570 prescribing the use of the accident reserve fund is operative under the present Charter.

The revolving fund of \$6,500.00 was composed of the following items at June 30, 1940:

Cash in banks.....	\$1,159.28
Petty cash funds.....	25.00
Deposit with Bond and Warrant Clerk, Hall of Justice..	100.00
Disbursements awaiting reimbursements.....	5,043.73
Disbursements for which Controller has refused reimbursement .....	171.99
	<u>Total .....</u>
	<u><u>\$6,500.00</u></u>

Cash in banks was confirmed to us by depository banks, petty cash funds were counted, and deposit was confirmed to us by the Bond and Warrant

Clerk. The Controller has refused reimbursement of certain disbursements, as shown above, and has notified the proper administrative official of his action and the basis therefor. No further steps have been taken to compel the custodians of the revolving fund to make good on such disbursements.

#### Accounts Receivable—\$8,386.68

Accounts receivable are composed of amounts due from various firms for track and pole rentals and for advertising contract. These amounts were substantiated by inspection of copies of billings and related agreements, but we did not correspond with the recorded debtors in further substantiation of amounts due.

#### Interfund Accounts Receivable—\$56,500.59

Interfund accounts receivable have been confirmed with the Controller's records, and are composed of the following items:

##### General city and county:

Advance for transit survey.....	\$55,000.00
Interest on cash balances for quarter ended June 30, 1940 .....	886.11
	<u>\$55,886.11</u>

Electric Power Bureau—refund of unexpended operating advance .....	614.48
	<u>614.48</u>

Total .....	<u>\$56,500.59</u>
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Advance for transit survey is involved in litigation between the City and County of San Francisco and the Controller. The court's decision is being awaited to determine whether these funds will be expended by the City and County of San Francisco or returned to the Railway.

#### Deferred Charges—\$701,524.45

Inventory of materials and supplies, stated at a cost of \$272,775.61 less a reserve for obsolescence of \$12,000.00, has been prepared from book records as of June 30, 1940. Physical inventories were taken from time to time during the year under review and the necessary adjustments were made to bring the records into agreement with the physical counts. We have made tests of the basis of pricing and of the correctness of footings, extensions and listings. We have reviewed the procedures for taking physical inventory and have made limited tests of physical quantities on hand. Reserve for obsolescence has been provided to take care of losses estimated to be sustained in connection with obsolete and slow-moving materials and supplies. Total inventories have increased substantially during the year owing principally to the advance purchase of rails in anticipation of price increases and scheduled reconstruction jobs.

We have made tests of charges to replacement jobs in progress which aggregated \$86,296.80 to June 30, 1940. Relaying of track on Geary street between Powell and Fillmore streets is the major replacement job in progress. Assets being replaced will be removed from the fixed capital accounts upon the completion and capitalization of replacement jobs.

Commitments—contra represents the offsetting debit to the liability provided for encumbrances. It is the accounting practice of the City and County of San Francisco to reflect encumbrances as a liability in proprietary balance sheets in order to facilitate reconciliation with funding balance sheets. The aggregate of commitments has increased materially over a year ago because of commitments referred to under Fixed Capital which are now held in abeyance pending settlement of the Putnam suit.



**Bonded Debt—\$1,300,400.00**  
**Bond Interest Payable—\$16,924.16**

The bonded debt of the Municipal Railway is a general obligation of the City and County of San Francisco, and matures \$100,000.00 annually to December 1, 1952. Interest on bonded debt at the rate of 5% per annum is payable on the first day of June and December each year.

Confirmation of bonded debt and matured coupons was secured by reference to the records of the Controller, and we checked the computation of interest accrued.

**Accounts Payable—\$507,077.90**

The amounts for warrants outstanding and encumbrances, consisting of liability under contracts, purchase orders, etc., are in agreement with the records of the Controller. Expenditures for which the Controller had not recorded encumbrances are provided for by a reserve for unencumbered expenditures in the amount of \$5,868.02.

**Interfund Accounts Payable—\$164,540.14**

Interfund accounts payable have been confirmed with the records of the Controller and are composed of the following items:

General city and county:			
General Fund .....	\$129,209.02		
Employees' Retirement System.....	13,016.00		
County Road Fund.....	3,956.78	\$146,181.80	
Other public service enterprises:			
Public Utilities Commission.....	\$ 12,944.68		
Electric Power Bureau.....	3,926.23		
San Francisco Water Department.....	1,487.43	18,358.34	
Total .....		<u>\$164,540.14</u>	

**Reserves—\$96,098.55**

A reserve for accident claims has been provided, mainly by charges to operations, to which are charged payments for accident claims and expenses of the claims department. Provision for accident claims and expenses has been made at the rate of 3% of operating revenue since July 1, 1934; however, an additional amount of \$30,000.00 was provided out of operations during the year under review due to unfavorable experience. Following is a summary of the transactions affecting the reserve for accident claims:

Balance at June 30, 1939.....	\$ 98,785.54	
Add provision charged to operations:		
3% of operating revenue.....	\$125,471.75	
Additional amount .....	30,000.00	155,471.75
		<u>\$254,257.29</u>
Deduct claims and expenses paid:		
Personal injury claims.....	\$109,233.44	
Property damage claims.....	6,148.93	
Salaries and wages.....	29,023.51	
Hospital and doctors' fees, etc.....	19,620.88	164,026.76
Balance at June 30, 1940.....		<u>\$ 90,230.53</u>

Comments as they relate to and County of San Fran-

1,392,072.99	6,500.00	1,398,572.99
55,886.11	614.48	56,500.59
260,775.61		
86,296.80		
354,452.04	701,524.45	\$6,321,483.18

Note B—Collectibility of \$55,000.00 from the General Fund depends upon the outcome of a suit of the City and County of San Francisco against the Controller.

Accrued—not due	5,416.66	16,924.16
ACCOUNTS PAYABLE (other than interfund)		
Warrants outstanding	\$ 113,127.20	
Contracts, purchase orders, etc.	39,498.56	
For materials and services received	354,452.04	507,077.90
Commitments—contra		
INTERFUND ACCOUNTS PAYABLE:		
General city and county	\$ 146,181.80	
Other public service enterprises	18,358.34	164,540.14
RESERVE:		
For accident claims	\$ 90,230.63	
For unencumbered expenditures	5,868.02	96,098.55
SURPLUS:		
Contributed	\$1,568,261.80	
Earned	2,668,180.63	4,236,442.43
		\$6,321,483.18

We examined warrants, claims, invoices, resolutions of the Public Utilities Commission, etc., in support of charges to the reserve for accidents, and satisfied ourselves that the charges thereto were proper.

Reserve for unencumbered expenditures of \$5,868.02 has been provided for liabilities not encumbered by the Controller. Included in the reserve provided are provision for overtime wages and judgment for vacation compensation aggregating \$4,121.15.

#### Surplus—\$4,236,442.43

Attention is directed to the statement of surplus included in this report. Contributed surplus was increased \$5,397.86 represented mainly by the appraised value of waiting stations contributed by W.P.A. Net income from operations for the year of \$276,252.00 has been credited to earned surplus.

### GENERAL

#### Litigation

The City and County of San Francisco is involved in certain litigation which affects the Municipal Railway.

The suit of Luther L. Putnam, plaintiff, vs. the City and County of San Francisco et al., defendants (No. 292846) in Dept. No. 16 of the Superior Court of the State of California, in and for the City and County of San Francisco, seeks to prevent the expenditure of funds for the purpose of building and equipping a trackless trolley bus line on Howard street. The contention is that the Reconstruction and Replacement Fund of the Railway has not been kept up as required by the Charter and ordinances, and that until the Fund is restored no extensions or betterments may be paid for out of Operating funds. This suit has had the effect of stopping work not only on the Howard street line, but on every other extension and betterment project, and has compelled the Railway to defer payment and performance on such contracts entered into prior to commencement of the suit. The Court has decided for the City and County of San Francisco, but until such time as appeal is taken and decided or opportunity for appeal has expired, the decision cannot be construed to be final.

The suit of the City and County of San Francisco, petitioners, vs. Harold J. Boyd (S. F. No. 16430), in the Supreme Court of the State of California, seeks to compel the Controller to pay out certain funds for a transit survey. There has been appropriated out of the Reconstruction and Replacement Fund of the Railway, \$55,000.00 to be expended for transit survey purposes. Decision in favor of the Controller would mean that the sum of \$55,000.00 advanced by the Railway would be returnable to the Railway.

There are numerous other suits against the City and County of San Francisco for damages arising out of accidents involving the Municipal Railway. As commented upon hereinbefore, a reserve for accidents of \$90,230.53 at June 30, 1940, had been provided to take care of liabilities as finally determined.

#### Insurance

The Railway carries full coverage on automobiles and trucks, but does not carry any other insurance on properties or against casualties. No reserves, other than for accident claims, are provided.

Very truly yours,

ERNST & ERNST,

Certified Public Accountants.

# BALANCE SHEET MUNICIPAL RAILWAY OF SAN FRANCISCO

June 30, 1940

## ASSETS

### FIXED CAPITAL:

Road and equipment.....	\$10,515,044.30	
New construction in progress—Note A.....	55,743.75	
	<u>\$10,570,788.05</u>	
Less reserve for depreciation.....	6,414,289.58	\$4,156,498.47

### CASH:

On deposit with Treasurer.....	\$ 1,392,072.99	
Revolving funds .....	6,500.00	1,398,572.99

### ACCOUNTS RECEIVABLE (other than inter-fund) .....

8,386.68

### INTERFUND ACCOUNTS RECEIVABLE:

General city and county—Note B.....	\$ 55,886.11	
Other public service enterprises.....	614.48	56,500.59

### DEFERRED CHARGES:

Materials and supplies.....	\$272,775.61	
Less reserve for obsolescence.....	12,000.00	\$ 260,775.61
Replacement jobs in progress.....	86,296.80	
Commitments—contra (goods and services receivable under contracts, purchase orders, etc.) .....	354,452.04	701,524.45
		<u>\$6,321,483.18</u>

Note A—Reference is made to the accompanying comments as they relate to the suit of Luther L. Putnam against the City and County of San Francisco.

## LIABILITIES AND SURPLUS

### BONDED DEBT:

Issue of December 1, 1913, 5%, maturing \$100,000.00 annually to December 1, 1952.....	\$1,300,000.00	
Matured bonds not presented for payment.....	400.00	\$1,300,400.00

### BOND INTEREST PAYABLE:

Matured coupons not presented for payment....	\$ 11,507.50	
Accrued—not due .....	5,416.66	16,924.16

### ACCOUNTS PAYABLE (other than interfund)

Warrants outstanding .....	\$ 113,127.30	
Contracts, purchase orders, etc.:		
For materials and services received.....	39,498.56	
Commitments—contra .....	354,452.04	507,077.90

### INTERFUND ACCOUNTS PAYABLE:

General city and county.....	\$ 146,181.80	
Other public service enterprises.....	18,358.34	164,540.14

### RESERVES:

For accident claims.....	\$ 90,230.53	
For unencumbered expenditures.....	5,868.02	96,098.55

### SURPLUS:

Contributed .....	\$1,568,261.80	
Earned .....	2,668,180.63	4,236,442.43
		<u>\$6,321,483.18</u>

Note B—Collectibility of \$55,000.00 from the General Fund depends upon the outcome of a suit of the City and County of San Francisco against the Controller.



# INCOME STATEMENT

## MUNICIPAL RAILWAY OF SAN FRANCISCO

For the Years Ended June 30, 1940 and 1939

	1940	1939	Increase Decrease*
Operating revenue:			
Passenger .....	\$4,135,902.62	\$4,107,365.10	\$ 28,537.52
Other .....	44,688.99	36,183.52	8,505.47
Total operating revenue.....	<u>\$4,180,591.61</u>	<u>\$4,143,548.62</u>	<u>\$ 37,042.99</u>
Operating expenses:			
Maintenance of ways and struc- tures .....	\$ 182,543.56	\$ 185,944.03	\$ 3,400.47*
Maintenance of equipment.....	235,222.22	206,557.52	28,664.70
Power .....	550,533.44	560,433.34	9,899.90*
Conducting transportation .....	2,044,264.87	1,979,399.00	64,865.87
Provision for accident claims and expenses incident thereto.....	155,471.75	124,306.46	31,165.29
General and miscellaneous.....	301,995.47	282,340.66	19,654.81
Provision for depreciation.....	<u>\$3,470,031.31</u>	<u>\$3,338,981.01</u>	<u>\$131,050.30</u>
Total operating expenses....	<u>\$3,848,401.22</u>	<u>\$3,683,388.22</u>	<u>\$165,013.00</u>
Operating income .....	<u>\$ 332,190.39</u>	<u>\$ 460,160.40</u>	<u>\$127,970.01*</u>
Other income:			
Sale of scrap, etc.....	\$ 7,469.12	\$ 1,177.50	\$ 6,291.62
Interest on cash balances.....	3,675.82	3,102.47	573.35
Total other income.....	<u>\$ 11,144.94</u>	<u>\$ 4,279.97</u>	<u>\$ 6,864.97</u>
Net income before deducting bond interest .....	<u>\$ 343,335.33</u>	<u>\$ 464,440.37</u>	<u>\$121,105.04*</u>
Bond interest .....	67,083.33	72,083.33	5,000.00*
Net income .....	<u><u>\$ 276,252.00</u></u>	<u><u>\$ 392,357.04</u></u>	<u><u>\$116,105.04*</u></u>
Comparative charges:			
Provision for franchise and prop- erty taxes as required by Section 64 of the Charter—estimated....	\$ 130,227.60	\$ 129,224.99	\$ 1,002.61
Water furnished free of charge by the San Francisco Water Depart- ment .....	1,884.29	1,852.14	32.15
	<u>\$ 132,111.89</u>	<u>\$ 131,077.13</u>	<u>\$ 1,034.76</u>

# SURPLUS

## MUNICIPAL RAILWAY OF SAN FRANCISCO

For the Year Ended June 30, 1940

### CONTRIBUTED SURPLUS:

Balance at June 30, 1939:

From general taxes .....	\$1,501,745.31	
Donated road and equipment.....	56,319.75	
Salvage from abandoned Market Street Rail- way Company lines.....	4,798.88	\$1,562,863.94

Add:

Appraised value of labor and materials fur- nished by Works Progress Administration during year ended June 30, 1940, for con- struction of waiting stations.....	\$ 5,317.86	
Value assigned to materials salvaged during year ended June 30, 1940, from line aban- doned by Market Street Railway Company..	80.00	5,397.86

Balance at June 30, 1940.....		<u>\$1,568,261.80</u>
-------------------------------	--	-----------------------

### EARNED SURPLUS:

Balance at June 30, 1939, from operations.....	\$2,391,928.63
Add net income for the year ended June 30, 1940, as shown by income statement.....	276,252.00
Balance at June 30, 1940.....	<u>\$2,668,180.63</u>

# FIXED CAPITAL MUNICIPAL RAILWAY OF SAN FRANCISCO

June 30, 1940

	Road and Equipment				Reserve for Depreciation				Estimated Useful Life-Years	Per Cent of Cost Subject to Depreciation
	Balance June 30, 1939	Additions	Retirements	Balance June 30, 1940	Balance June 30, 1939	Provision for Depreciation	Retirements	Balance June 30, 1940		
WAYS AND STRUCTURES:										
Right of way.....	\$ 169,839.07			\$ 169,839.07						
Other land .....	265,490.48	\$ 42,787.24		308,277.72						
Grading .....	524,869.53	11,190.95	\$ 11,882.00	524,178.48	\$ 193,185.20	\$ 10,077.50	\$ 11,882.00	\$ 191,380.70	52*	100
Ballast .....	366,215.82	2,637.32	5,601.24	363,251.90	180,000.35	9,155.40	5,601.24	183,554.51	26*	65
Ties .....	197,801.77	2,969.81	2,523.26	198,248.32	147,902.96	7,615.39	2,523.26	152,995.09	26*	100
Rail fastenings and joints.....	964,038.16	32,862.36	25,955.97	970,944.55	670,821.18	34,512.57	23,955.39	681,378.36	26*	93
Special work .....	367,502.02	5,784.49	6,644.53	366,641.98	238,727.89	19,992.12	6,235.29	252,484.72	18*	98
Track and roadway labor.....	862,458.56	45,274.96	24,916.59	882,816.93	632,332.88	35,964.53	24,916.59	643,380.82	24*	100
Paint .....	1,240,657.68	17,600.52	21,355.02	1,236,903.18	970,330.27	49,626.33	21,355.02	998,601.58	25*	100
Railway machinery and tools.....	23,111.54	1,761.06		24,872.60	13,392.76	1,096.63		14,489.39	5/30	95/100
Tunnels and subways.....	14,987.49			14,987.49	12,871.60	528.97		13,400.57	25	100
Bridges, trestles and culverts.....	4,689.04			4,689.04	1,641.22	117.23		1,758.45	40	100
Crossings, fences and signs.....	46,075.71			46,075.71	12,061.61	937.89		12,999.50	25/50	100
Signals and inter-locking apparatus.....	20,160.19			20,160.19	2,388.00	905.70		3,293.70	12/20	100
Telephone and telegraph lines.....	179.07			179.07	83.58	11.94		95.52	15	100
Poles and fixtures.....	278,116.94		56.27	278,060.67	130,438.45	6,588.52	19.60	137,007.37	40*	95
Underground conduits .....	157,032.80			157,032.80	64,354.92	2,798.04		67,152.96	55*	98
Distribution system .....	822,709.00	8,451.59	7,422.33	823,738.26	543,125.81	27,972.11	5,407.14	565,690.78	25*	85
Shops and carhouses.....	977,319.82	10,170.47		987,490.29	407,001.43	20,244.47		427,245.90	10/50	90/100
Stations, miscellaneous buildings and structures	40,398.28	7,840.08	1,133.23	47,105.13	25,179.69	796.65	1,133.23	24,843.11	15/35	80/100
TOTAL WAYS AND STRUCTURES.....	\$ 7,343,652.97	\$189,330.85	\$107,490.44	\$ 7,425,493.38	\$4,245,839.80	\$228,941.99	\$103,028.76	\$4,371,753.03		
EQUIPMENT:										
Passenger cars—electric .....	\$ 1,698,442.64	\$ 80,950.74	\$ 4,224.53	\$ 1,775,168.85	\$1,190,079.23	\$ 65,216.46	\$ 4,219.53	\$1,251,076.16	10/30	90/100
Passenger cars—buses .....	317,904.42			317,904.42	42,294.52	44,647.74		86,942.26	3/7	95
Service equipment—electric .....	13,871.11		2,800.00	11,071.11	10,669.58	327.22	2,800.00	8,196.80	30/40	95/100
Service equipment—automotive .....	34,418.56	897.65		35,316.21	19,167.82	2,661.61		21,829.43	4/18	95/100
Electric equipment of cars.....	841,975.83	27,300.00	2,734.32	866,541.51	584,066.92	33,143.70	2,734.32	614,476.30	14/40	95/100
Shop equipment .....	43,730.06	565.63		44,295.69	34,056.83	1,636.09		35,692.92	1/25	75/100
Furniture and office equipment.....	35,750.26	4,681.54	1,178.67	39,253.13	23,581.25	1,795.10	1,053.67	24,322.68	5/25	90/100
TOTAL EQUIPMENT .....	\$ 2,986,092.88	\$114,395.56	\$ 10,937.52	\$ 3,089,550.92	\$1,903,916.15	\$149,427.92	\$ 10,807.52	\$2,042,536.55		
CONSTRUCTION IN PROGRESS.....	\$ 1,846.38	\$ 53,897.37		\$ 55,743.75						
TOTAL ROAD AND EQUIPMENT.....	\$10,331,592.23	\$357,623.78	\$118,427.96	\$10,570,788.05	\$6,149,755.95	\$378,369.91	\$113,836.28	\$6,414,289.58		

\*Indicates composite rate.

## NOTES TO FIXED CAPITAL

NOTE A—Estimated useful life of assets has been determined by engineers for the Public Utilities Commission in connection with their appraisal as of June 30, 1938.

NOTE B—It is the policy of the Railway to compute depreciation for the year only on assets acquired prior to the beginning of the year.





# San Francisco Airport

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1940

(Wherever italic figures appear in this Report, they indicate red figures)

## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CONTROLLER

October 1, 1940.

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

## SAN FRANCISCO AIRPORT

## Examination of Accounts for the Year Ended June 30, 1940

Dear Sir:

Under your direction and pursuant to the provision of Charter Section 66, an examination has been made of the accounts of the San Francisco Airport for the year ended June 30, 1940. Mr. David F. Supple, Expert and Assistant to the Grand Jury, participated.

The following schedules, based on this examination, are submitted herewith:

Schedule 1—Balance Sheet, June 30, 1940.

Schedule 2—Comparative Statement of Revenues and Expenses  
for the years ended June 30, 1940 and 1939.

The examination was limited to the verification of assets and liabilities as of June 30, 1940, and an analytical review and test check of the revenues and expenses of the fiscal year ended as of that date. A general review of the accounting methods was made and the accounting records and other supporting evidence were examined or tested in a manner and to the extent considered appropriate in view of the system of internal accounting control. Verification of the property accounts was limited to a review of the recorded additions and retirements during the year.

The operations of the Airport appear to conform to prescribed procedure therefor, except in the matter of the establishment of rates as provided in Section 130 of the Charter. In accordance with its Resolution 2871 dated September 12, 1938, approved by the Board of Supervisors' Resolution 4247, the Public Utilities Commission adopted a schedule of rates to be charged commercial air line transportation companies. Rates for other services and rules for the extension of credit have not been established by official action of the Public Utilities Commission.

Detailed findings, comments and recommendations resulting from this examination are submitted separately.

Respectfully submitted,

WILLIS O'BRIEN,  
Supervisor, Utility Audits.

## SAN FRANCISCO AIRPORT

## SCHEDULE 1

## Balance Sheet—June 30, 1940

## ASSETS

	Operating Fund	1938 Airport Bond Fund	Total
Fixed Capital:			
Properties in Service.....	\$2,771,758.10	\$ 210,405.31	\$2,982,163.41
Less Reserve for Depreciation....	338,685.89	.....	338,685.89
	<u>\$2,433,072.21</u>	<u>\$ 210,405.31</u>	<u>\$2,643,477.52</u>
Construction in Progress.....	.....	1,423,234.51	1,423,234.51
Cash:			
On Deposit with Treasurer.....	29,119.27	353,055.44	382,174.71
Revolving Fund .....	200.00	.....	200.00
Accounts Receivable .....	9,836.62	945,000.00	954,836.62
Interfund Accounts:			
General City .....	2,387.08	.....	2,387.08
Deferred Charges .....	1,405.97	46,875.23	48,281.20
Total Assets .....	<u>\$2,476,021.15</u>	<u>\$2,978,570.49</u>	<u>\$5,454,591.64</u>

## LIABILITIES AND SURPLUS

<i>Liabilities:</i>			
Bonded Debt .....	\$ .....	\$2,565,000.00	\$2,565,000.00
Bond Interest Accrued (Payable July 1, 1940) .....	.....	14,760.00	14,760.00
Accounts Payable .....	4,096.82	56,669.20	60,766.02
Interfund Accounts:			
General City .....	2,898.15	5,356.17	8,254.32
Public Service Enterprises.....	4,485.36	5,434.20	9,919.56
Deferred Credits:			
Rentals Billed in Advance.....	203.33	.....	203.33
Total Liabilities .....	<u>\$ 11,683.66</u>	<u>\$2,647,219.57</u>	<u>\$2,658,903.23</u>
<i>Surplus:</i>			
Balance June 30, 1939.....	\$2,512,071.10	\$ 117,735.55	\$2,629,806.65
Transfer .....	207.00	207.00	.....
Add: Contributions from Taxes (net) .....	24,328.93	213,408.37	237,737.30
Deduct: Net Loss .....	71,855.54	.....	71,855.54
Balance June 30, 1940.....	<u>\$2,464,337.49</u>	<u>\$ 331,350.92</u>	<u>\$2,795,688.41</u>
Total Liabilities and Surplus .....	<u>\$2,476,021.15</u>	<u>\$2,978,570.49</u>	<u>\$5,454,591.64</u>

## SAN FRANCISCO AIRPORT

## SCHEDULE 2

Comparative Statement of Revenues and Expenses for the Fiscal Years  
Ended June 30, 1940, and June 30, 1939

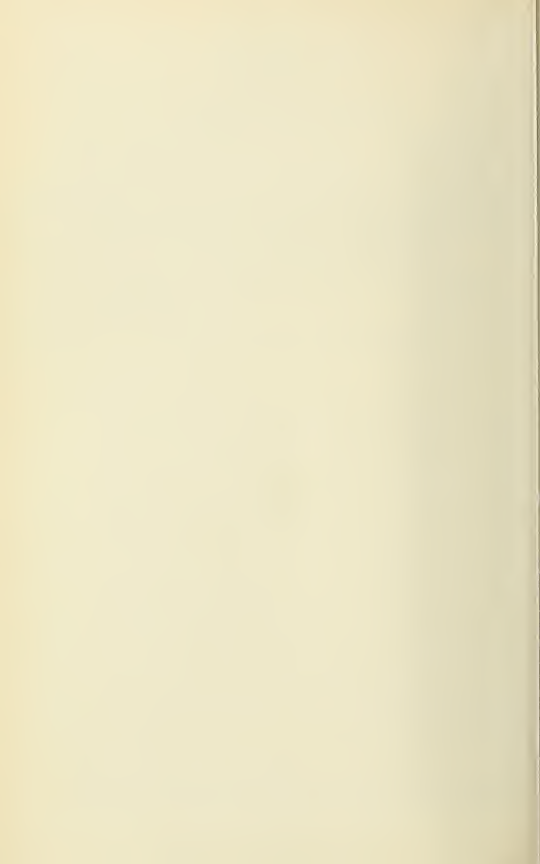
	June 30 1940	June 30 1939
<b>OPERATING REVENUES:</b>		
Handling Charges .....	\$ 38,008.75	\$ 30,365.12
Rentals:		
Hangar .....	\$ 14,387.81	\$ 13,354.78
Shop .....	4,495.75	4,317.55
Office .....	1,819.75	1,393.00
Restaurant .....	2,962.04	.....
Land .....	1,906.67	.....
Locker .....	69.00	70.00
Total Rentals .....	\$ 25,641.02	\$ 19,135.33
Miscellaneous:		
Gasoline Sales Commission.....	\$ 1,125.48	\$ 1,021.61
Telephone Income .....	332.81	170.95
Total Miscellaneous .....	\$ 1,458.29	\$ 1,192.56
Total Operating Revenues.....	\$ 65,108.06	\$ 50,693.01
<b>OPERATING EXPENSES:</b>		
Operation:		
Salaries and Wages.....	\$ 45,112.27	\$ 44,705.54
Gas and Electricity .....	8,582.01	7,871.34
Telephone, Telegraph and Postage.....	2,853.23	3,586.89
Materials and Supplies.....	4,376.03	4,293.78
Provision for Bad Debts.....	300.00	300.00
Travel .....	4,981.09	3,760.77
Insurance .....	1,901.05	1,918.23
Miscellaneous Contractual Services.....	761.91	1,127.30
Taxes .....	3,221.47	3,134.14
Services of Bureau of Engineering.....	877.77	2,286.79
Contributions to Retirement System.....	1,675.13	1,722.46
Miscellaneous .....	.....	1.41
Total Operation .....	\$ 74,641.96	\$ 74,708.65
Maintenance and Repairs:		
Buildings and Structures.....	\$ 725.93	\$ 249.42
Automobiles and Motorcycles.....	1,303.09	763.46
Miscellaneous Equipment .....	1,536.17	1,197.96
Total Maintenance and Repairs.....	\$ 3,565.19	\$ 2,210.84
Provision for Depreciation.....	\$ 60,350.68	\$ 64,354.30
Loss on Retirements.....	\$ 378.39	.....
Total Operating Expenses.....	\$138,936.22	\$141,273.79
OPERATING LOSS .....	\$ 73,828.16	\$ 90,580.78
OTHER INCOME .....	1,972.62	592.21
NET LOSS BEFORE BOND INTEREST.....	\$ 71,855.54	\$ 89,988.57
BOND INTEREST .....	.....	866.67
NET LOSS .....	\$ 71,855.54	\$ 90,855.24

**San Francisco School Department**  
**(A Unified School District)**

**Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1940**

(Wherever italic figures appear in this Report, they indicate red figures)



**HASKINS & SELLS**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 Alexander Building  
 155 Montgomery Street, San Francisco

October 17, 1940.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

In accordance with your instructions, we have made an examination of the accounts of the School Department of the City and County of San Francisco for the year ended June 30, 1940. Our examination comprehended a review of the system of internal control and the accounting procedures of the Department and examination or test of its accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

The properties, bonded debt, bond interest, and certain other assets and liabilities of the School Department are not carried on the books of the Department and for the purposes of this report have been taken from the records of the Controller. Disbursements of funds of the School Department are handled by the Controller's Office and warrants and other evidences of disbursements are lodged in that office. While we examined a small number of warrants in connection with our review of the procedures of the Controller's Office in handling school funds, we made no systematic examination or test of these documents.

The Secretary-Attendant to the Grand Jury participated in our examination.

We present the following financial statements:

- Proprietary Balance Sheet, June 30, 1940 (Exhibit A).
- Statements of Current Surplus and Capital Surplus for the Year Ended June 30, 1940 (Exhibit B).
- Summary of Revenues and Expenditures for the Years Ended June 30, 1940 and 1939 (Exhibit C).
- Statement of Expenditures for the Years Ended June 30, 1940 and 1939 (Schedule 1).

The revenues and expenditures for the year ended June 30, 1939, as reported by other accountants, are included in Exhibit C and Schedule 1 for comparative purposes.

We submit also the following comments:

### PROPERTIES—\$49,695,764.11

The above amount is that shown on the records of the Controller as of June 30, 1940, and is stated to represent original cost (or appraised value where properties were acquired without cost or where cost was not determinable). In accordance with established policy no provision for depreciation has been made.

The School Department maintains subsidiary records showing the details of the cost of the various individual properties, but these records are not in agreement with the accounts of the Controller, principally because of the inclusion of appraised values in the Controller's accounts and because losses on sales or abandonments of school property, amounting to approximately \$200,000 have not yet been taken up by the Controller. Such losses are customarily recorded on the Controller's books in the year following the sale or abandonment of the property. We suggest that consideration be given to the possibility of bringing the subsidiary records of the School Department and the accounts of the Controller into agreement and of making periodic comparisons to insure that such agreement is maintained.

The net increase in the property accounts during the year under review as shown by the records of the Controller amounted to \$3,647,713.79. This increase is summarized as follows:



Additions to properties, as shown by records of School Department (capital expenditures, per Exhibit C) .....		\$3,740,537.51
Less retirements (at cost) as shown by records of School Department .....		9,033.48
Remainder .....		<u>\$3,731,504.03</u>
Add:		
Improvements from general city and county P.W.A. funds not recorded by School Department.....	\$ 9,783.89	
Interest during construction (prior to June 30, 1939) taken up by Controller during year.....	17,483.31	
Current year's retirements not recorded by Controller .....	5,639.54	32,906.74
Total .....		<u>\$3,764,410.77</u>
Less:		
Losses (net) on prior years' sales and retirements recorded by Controller during year.....	\$95,886.48	
Proceeds from sales of land (originally acquired without cost) credited to property account by Controller .....	20,450.00	
Miscellaneous items (net).....	360.50	116,696.98
Remainder—Net increase in Controller's property accounts, as above.....		<u>\$3,647,713.79</u>

We made a general review of the additions to properties as shown by the records of the School Department and found that they appeared to be properly recorded. It is the policy of the Department to charge replacements and repairs to the maintenance accounts, and this policy appears to have been followed consistently during the year under review.

### CASH—\$2,772,173.31

The cash on deposit with the Treasurer as shown in the accompanying balance sheet, \$2,771,773.31, was found to be in agreement with the Treasurer's cash statement (which had been audited by the Controller's staff) and with the accounts of the Controller; the revolving funds, \$400.00, were verified by count with respect to the funds on hand and by certification of the depositories with respect to funds on deposit.

The balances on deposit with the Treasurer as shown by the books of the School Department at June 30, 1940, are reconciled with the Treasurer's balances in the following tabulation:

	School Department Balances	Warrants Outstanding and Other Reconciling Items	Interfund Transfers	Treasurer's Balances
Current funds:				
San Francisco Unified				
School District .....	\$ 578,181.83	\$204,192.29		\$ 782,374.12
Bond interest:				
5%—1908 .....		100.00		100.00
4½%—1918 .....		4,320.00		4,320.00
5%—1923 .....		5,950.00		5,950.00
2%—1938 .....		5,170.00		5,170.00
1¾%—1938 .....		1,373.75		1,373.75
1¼%—1938 .....		62.50		62.50
Bond redemption:				
4½%—1918 .....		32,000.00		32,000.00
5%—1923 .....		5,000.00		5,000.00
Total current funds				
(Forward) .....	\$ 578,181.83	\$258,168.54		<u>\$ 836,350.37</u>

	School Department Balances	Warrants Outstanding and Other Reconciling Items	Interfund Transfers	Treasurer's Balances
Current funds (Forward) .....	\$ 578,181.83	\$258,168.54		\$ 836,350.37
Capital funds:				
P.W.A. Docket No.				
1578 .....	\$ 880,838.06	\$ 42,952.30	\$886,629.28	\$1,810,419.64
School Bond 1938 .....	980,154.05		886,629.28	93,524.77
Total capital funds .....	\$1,860,992.11	\$ 42,952.30		\$1,903,944.41
Special and trust funds:				
School teachers' sab- batical leave .....	\$ 11,808.96	\$ 5,654.99		\$ 17,463.95
School teachers' perma- nent fund .....	6,621.50	7,206.90		13,828.40
School teachers' annuity fund .....	143.15	43.03		186.18
Total special and trust funds .....	\$ 18,573.61	\$ 12,904.92		\$ 31,478.53
Total .....	\$2,457,747.55	\$314,025.76		\$2,771,773.31

The warrants outstanding and other reconciling items as shown above are summarized as follows:

Warrants outstanding:

Current funds .....	\$172,984.68	
Capital funds .....	42,952.30	
Special and trust funds .....	*7,249.93	\$223,186.91
Matured bonds not paid .....		37,000.00
Matured coupons not paid .....		16,976.25
Disbursements recorded in June by School Depart- ment, not taken up by Controller until July, 1940:		
Current fund .....	\$ 31,207.61	
Special and trust funds .....	5,654.99	36,862.60
Total .....		\$314,025.76

\*After deducting \$85.20 for deposit (payroll deductions) not entered by Treasurer until July, 1940.

**ACCOUNTS RECEIVABLE (less reserves)—\$164,911.15**

The taxes receivable at June 30, 1940, comprised the following:

	Total	Secured by Real Estate	Unsecured
Uncollected taxes:			
Year ended June 30, 1940 .....	\$ 66,594.31	\$ 59,300.93	\$ 7,293.38
Prior years .....	203,830.67	79,486.10	124,344.57
Penalties on delinquent taxes (secured) .....	26,124.12	26,124.12	
Total .....	\$296,549.10	\$164,911.15	\$131,637.95
Less reserve for unsecured taxes .....	131,637.95		131,637.95
Remainder .....	\$164,911.15	\$164,911.15	

The taxes receivable as shown above were confirmed by reference to records of the Controller.

The miscellaneous accounts receivable at June 30, 1940, aggregated \$1,272.95, against which a full reserve had been provided.

Tuitions receivable from other counties for the year ended June 30, 1940, amounting to \$142,316.64, were not recorded on the books of the School Department or of the Controller at that date and are not included in the accompanying balance sheet; it is the practice to record such items as collected.

### INTERFUND ACCOUNTS RECEIVABLE—\$167,047.91

The interfund accounts receivable include an advance of \$5,000.00 to the Department of Public Works for the purpose of providing that department with funds for the payment of wages and purchase of supplies in connection with maintenance work for the School Department. The balance of \$5,000.00 at June 30, 1940, as shown by the books of the School Department was found to be in agreement with the accounts of the Controller.

The amount of \$162,047.91 shown in the accompanying balance sheet as due from the Bond Interest and Redemption Fund is offset by the liability for bond interest accrued at June 30, 1940; neither of these items appears on the books of the School Department inasmuch as tax collections and expenditures for bond interest and redemption are considered as general city and county transactions.

### DEFERRED CHARGES—\$182,253.57

#### Stores—\$158,084.26

This item represents the book inventory (at cost) of supplies on hand at June 30, 1940, which were indicated by the records to be located as follows:

At warehouse .....	\$143,376.29
At administrative office.....	4,416.39
At schools (principally janitors' supplies).....	10,291.58
Total .....	<u>\$158,084.26</u>

The above amount does not include supplies requisitioned for use prior to June 30, 1940, which remained on hand at the schools at that date.

A physical inventory of stores was taken by employees of the Department as of March 20, 1940, and the book inventory was reduced by \$618.90 to agree therewith. This adjustment appears to be nominal in relation to the aggregate value of stores issued during the year. We examined the physical inventory records and procedure, made tests of the pricing and computations, and reviewed the entries for transactions between March 20 and June 30, 1940. We also made a limited test of inventory quantities and comparison with the related book inventories on September 10, 1940.

#### Shop Work—\$11,272.88

This item at June 30, 1940, was composed of the following:

Refinished furniture (at cost of refinishing—book inventory) .....	\$ 6,013.00
Refinishing materials on hand (book inventory).....	4,447.03
Work in process.....	812.85
Total.....	<u>\$11,272.88</u>

The refinished furniture valued at \$6,013.00 comprises approximately 3,100 individual pieces (principally desks, tables, chairs, etc.), and the costs of refinishing appear to be reasonable.

**Unexpired Insurance—\$12,896.43**

This item represents principally the unexpired portion of premiums paid on fire insurance policies aggregating \$23,350,000 covering School Department properties. The policies, written by 49 companies, were in the custody of the Controller and were examined by us. As of October 1, 1940, the fire insurance coverage was increased to \$24,900,000 (retroactive to June 30, 1940) in order to conform with insurable values established by engineers of the insurance companies. We understand that such values represent the basis approved by the Board of Education for insurance of School Department properties.

**BONDED DEBT—\$12,207,000.00**

The school bonds outstanding at June 30, 1940, as shown by the records of the Controller were as follows:

Year of Issue	Interest Rate	Amount Outstanding—			
		Total	Matured	Due Within One Year	Due After One Year
1918	4½%.....	\$ 382,000.00	\$32,000.00	\$ 175,000.00	\$ 175,000.00
1923	5%.....	8,105,000.00	5,000.00	300,000.00	7,800,000.00
1934	3%.....	1,200,000.00	.....	300,000.00	900,000.00
1938	2%.....	1,296,000.00	.....	216,000.00	1,080,000.00
1938	1¾%.....	647,000.00	.....	.....	647,000.00
1938	1½%.....	448,000.00	.....	64,000.00	384,000.00
1938	1¼%.....	129,000.00	.....	.....	129,000.00
Total.....		\$12,207,000.00	\$37,000.00	\$1,055,000.00	\$11,115,000.00

The bonds of the 1938—1¾% issue mature at the rate of \$216,000 per annum commencing December 1, 1946, and those of the 1938—1½% issue at the rate of \$64,000 per annum commencing December 1, 1947. The bonds of the other issues continue to mature annually at the same amounts shown in the above summary as due within one year.

The changes in the bonds outstanding during the year under review are summarized as follows:

Balance, July 1, 1939.....	\$12,369,000.00
Add bonds sold:	
1938 issue—1½%.....	\$448,000.00
1938 issue—1¼%.....	129,000.00
	<u>577,000.00</u>
Total .....	\$12,946,000.00
Less bonds retired.....	739,000.00
Balance, June 30, 1940.....	<u>\$12,207,000.00</u>

**ACCOUNTS PAYABLE—\$314,240.26**

The accounts payable at June 30, 1940, as shown in the accompanying balance sheet do not include unentered liabilities for supplies, equipment, etc., received prior to June 30, 1940, in the amount of approximately \$21,000. We understand that it is the policy of the Department not to record such liabilities until after receipt of the receiving record from schools or other sources. We suggest that consideration be given to the possibility of expediting the transmittal of receiving records so that bills may be entered and paid more promptly and that all discounts may be taken.

There were outstanding commitments at June 30, 1940, for capital expenditures amounting to approximately \$1,300,000 and for current expenditures

amounting to approximately \$75,000. These commitments are not included in the accompanying balance sheet.

The School Department is the defendant in two suits filed by groups of school teachers, which involve substantial claims for additional salaries based upon allegations of incorrect rating of the teachers over a period of several years. A judgment of approximately \$41,000 against the Department in connection with one of these suits was rendered subsequent to June 30, 1940, but has been appealed by the plaintiffs and the defendant. The eventual outcome of these suits is not determinable at present and no provision has been made in the accompanying balance sheet for additional salary payments which may be required as a result of the litigation.

Personal injury actions have been filed against the Department claiming damages in excess of \$100,000. The Department's attorney is of the opinion that these claims will be settled for an aggregate amount of not more than \$15,000. No provision for this contingent liability has been made in the accompanying balance sheet.

### **SPECIAL AND TRUST FUNDS—\$18,573.61**

This amount represents the available moneys in certain special and trust funds, the details of which are shown in the accompanying balance sheet. The receipts and disbursements of these funds for the year were reviewed and they appear to have been handled in accordance with established procedure.

### **INTERFUND ACCOUNTS PAYABLE—\$128,298.55**

The interfund accounts payable at June 30, 1940, comprised the following:

Balances shown by records of School Department:

Public Service Enterprises—San Francisco Water Department .....	\$ 3,473.65
General city and county:	
Lighting Bureau .....	\$18,889.65
Employees' Retirement System.....	46,029.32
Department of Public Works.....	28,698.32
	<hr/>
Total .....	\$ 97,090.94
Disbursements recorded in June by School Department, not taken up by Controller until July—Department of Public Works .....	31,207.61
	<hr/>
Total .....	<u>\$128,298.55</u>

### **DEFERRED CREDITS—\$2,500.64**

The deferred credits at June 30, 1940, represented a contractor's deposit of \$2,500.00 under an electrical contract which was not completed in accordance with its original terms, and a penalty of \$.64 collected from a contractor for failure to deliver a specified item under his contract. These amounts are classified as deferred credits pending completion of the related projects and ultimate disposition of the items.

### **SURPLUS—\$40,132,512.83**

The changes in current surplus and capital surplus for the year ended June 30, 1940, are summarized in Exhibit B, and the assets and liabilities related to each surplus account at that date are shown in the accompanying balance sheet.

## REVENUES AND EXPENDITURES

The revenues and expenditures for the year ended June 30, 1940, are set forth in Exhibit C and may be briefly summarized as follows:

Revenues (property taxes, apportionment of State school funds, and miscellaneous income).....	\$10,633,666.61
Operating expenditures .....	10,085,364.85
Net revenues .....	\$ 548,301.76
Capital outlay from revenues.....	42,247.99
Revenue surplus for year.....	<u>\$ 506,053.77</u>

The revenues from property taxes and penalties, \$5,637,149.80, were in approximate agreement with the amounts determined from the Assessor's records by applying the established school-tax rate (\$.681146 per \$100.00) to the assessed valuation shown by the assessment rolls, after giving effect to uncollected taxes, etc.

The revenues received through the State of California were in agreement with the official apportionment published by the Superintendent of Public Instruction, and were computed as follows:

### Elementary schools:

#### From State School Fund:

Teacher units (1,299) at \$700.00.....	\$ 909,300.00
Average daily attendance (40,723) at \$5.8492845	238,200.41
One-half of excess cost of educating physically-handicapped children .....	62,731.60

Total.....\$1,210,232.01

From State General Fund—Average daily attendance (40,723) at \$30.00..... 1,221,690.00

Total—Elementary schools.....\$2,431,922.01

### High schools (including junior college):

#### From State High School Fund:

Years maintained (66) at \$550.00.....	\$ 36,300.00
Average daily attendance (26,458) at \$24.4468151	646,813.83
Apportionment for special classes and evening high schools .....	34,900.00
One-half of excess cost of educating physically-handicapped children .....	7,097.74

Total.....\$ 725,111.57

From State General Fund—Average daily attendance (26,458) at \$60.00..... 1,587,480.00

Total—High schools.....\$2,312,591.57

Total.....\$4,744,513.58

Based upon our review of the related records and procedure, it appears that the Department received its proper apportionment of State school funds for the year.

With respect to miscellaneous revenues, the apportionment of Federal and State vocational education funds was found to be supported by a published report of the Superintendent of Public Instruction, the tuitions received from other counties were found to be in agreement with the billings therefor based upon reports from the individual schools, and the rentals were supported by

reports of the Real Estate Department. Certain of the leases covering school property were examined by us. With respect to the tuitions from other counties, we understand that no verification of the reports of the individual schools is made by the auditing staff of the School Department. We suggest that consideration be given to the desirability of instituting procedure for testing the accuracy of these reports.

The accounts representing expenditures of the School Department were reviewed and compared with the similar accounts for the preceding year. All major variations were satisfactorily explained and the accounts generally appeared to be properly maintained.

### GENERAL

The records pertaining to receipts and disbursements of school cafeterias, student body organizations, etc., are not included in the general accounts of the School Department and were not examined by us. We understand that these records are examined by the accounting staff of the School Department and that written reports are filed with respect thereto. The examinations for the year ended June 30, 1939, are said to have been completed and those for the year ended June 30, 1940, are in progress.

A revised manual of procedure has recently been issued with respect to control of student body and similar funds and the system of internal control with respect to these funds appears to be satisfactory.

Yours truly,

HASKINS & SELLS.

**CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)**

EXHIBIT A

**PROPRIETARY BALANCE SHEET, JUNE 30, 1940**

**ASSETS****LIABILITIES**

	Total	Current Accounts	Capital Accounts	Special and Trust Accounts		Total	Current Accounts	Capital Accounts	Special and Trust Accounts
<b>PROPERTIES:</b>					<b>BONDED DEBT:</b>				
Land .....	\$ 9,940,670.86	.....	\$ 9,940,670.86	.....	Due subsequent to June 30, 1940 (\$1,- 055,000.00 due with- in one year).....	\$12,170,000.00	.....	\$12,170,000.00	.....
Buildings and im- provements .....	32,250,347.76	.....	32,250,347.76	.....	Matured, not paid..	37,000.00	\$ 37,000.00	.....	.....
Equipment .....	3,289,432.82	.....	3,289,432.82	.....	Total bonded debt .....	\$12,207,000.00	\$ 37,000.00	\$12,170,000.00	.....
Construction in prog- ress .....	4,215,312.67	.....	4,215,312.67	.....	<b>BOND INTEREST:</b>				
Total properties.	\$49,695,764.11	.....	\$49,695,764.11	.....	Due July 1, 1940....	\$ 18,000.00	\$ 18,000.00	.....	.....
<b>CASH:</b>					Accrued, not due....	144,047.91	144,047.91	.....	.....
On deposit with Trea- surer .....	\$ 2,771,773.31	\$ 836,350.37	\$ 1,903,944.41	\$31,478.53	Matured, not paid..	16,976.25	16,976.25	.....	.....
Revolving funds ...	400.00	400.00	.....	.....	Total bond inter- est .....	\$ 179,024.16	\$ 179,024.16	.....	.....
Total cash .....	\$ 2,772,173.31	\$ 836,750.37	\$ 1,903,944.41	\$31,478.53	<b>ACCOUNTS PAYABLE:</b>				
<b>ACCOUNTS RECEIVABLE:</b>					Contracts and open accounts .....	\$ 91,053.35	\$ 85,398.36	.....	\$ 5,654.99
Taxes receivable, less reserve for unse- cured taxes, \$131,- 637.95 .....	\$ 164,911.15	\$ 164,911.15	.....	.....	Warrants outstand- ing .....	223,186.91	172,984.63	\$ 42,952.30	7,249.93
Other accounts receiv- able, less re- serve for doubtful accounts, \$1,272.95	nil	nil	.....	.....	Total accounts payable .....	\$ 314,240.26	\$ 258,383.04	\$ 42,952.30	\$12,904.92
Total accounts receivable ...	\$ 164,911.15	\$ 164,911.15	.....	.....	<b>SPECIAL AND TRUST FUNDS:</b>				
<b>INTERFUND ACCOUNTS (general city and county):</b>					School teachers' sab- batical leave .....	\$ 11,808.96	.....	.....	\$11,808.96
Department of Pub- lic Works .....	\$ 5,000.00	\$ 5,000.00	.....	.....	School teachers' per- manent fund (re- tirement) .....	6,621.50	.....	.....	6,621.50
Bond Interest and Redemption Fund (bond interest ac- crued) .....	162,047.91	162,047.91	.....	.....	School teachers' an- nuity fund .....	143.15	.....	.....	143.15
Total interfund accounts .....	\$ 167,047.91	\$ 167,047.91	.....	.....	Total special and trust funds ..	\$ 18,573.61	.....	.....	\$18,573.61
<b>DEFERRED CHARGES:</b>					<b>INTERFUND ACCOUNTS:</b>				
Stores .....	\$ 158,084.26	\$ 158,084.26	.....	.....	Public service enter- prises .....	\$ 3,473.65	\$ 3,473.65	.....	.....
Shop work .....	11,272.88	11,272.88	.....	.....	General city and county .....	124,824.90	124,824.90	.....	.....
Unexpired insurance.	12,896.43	12,896.43	.....	.....	Total interfund accounts .....	\$ 128,298.55	\$ 128,298.55	.....	.....
Total deferred charges .....	\$ 182,253.57	\$ 182,253.57	.....	.....	<b>DEFERRED CREDITS .....</b>	\$ 2,500.64	.....	\$ 2,500.64	.....
<b>TOTAL.....</b>	<b>\$52,982,150.05</b>	<b>\$1,350,963.00</b>	<b>\$51,599,708.52</b>	<b>\$31,478.53</b>	<b>SURPLUS, PER EX- HIBIT B .....</b>	<b>\$40,132,512.83</b>	<b>\$ 748,257.25</b>	<b>\$39,384,255.58</b>	<b>.....</b>
					<b>TOTAL.....</b>	<b>\$52,982,150.05</b>	<b>\$1,350,963.00</b>	<b>\$51,599,708.52</b>	<b>\$31,478.53</b>

**NOTES:** The properties, bonded debt, bond interest, and certain other items included in the above balance sheet are not shown on the books of the School Department but have been taken from the records of the Controller.

The properties are stated generally at cost without deduction for depreciation. Maintenance costs and equipment replacements are treated as current expenses.

The above balance sheet does not include amounts receivable from other counties for tuition for the year ended June 30, 1940, in the amount of \$142,316.64. Revenues of this nature are recorded on the books only when received.

Outstanding commitments at June 30, 1940, for capital expenditures amounting to approximately \$1,300,000 and for current expenditures amounting to approximately \$75,000 are not included in the above balance sheet.

The Department is the defendant in two suits filed by groups of school teachers, which involve substantial claims for additional salaries based upon claims of incorrect rating of the teachers over a period of several years. The eventual outcome of these suits is not determinable and no provision has been made for additional salary payments which may be required thereunder.

No provision has been made in the above balance sheet for claims and suits filed against the Department for personal injuries. It is the opinion of the Department's attorney that these cases will be settled for an aggregate amount of not more than \$15,000.00.





**CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT**

(A Unified School District)

**STATEMENTS OF CURRENT SURPLUS AND CAPITAL SURPLUS  
FOR THE YEAR ENDED JUNE 30, 1940**

**CURRENT SURPLUS**

BALANCE, JULY 1, 1939.....	\$ 502,049.35
ADD REVENUE SURPLUS FOR YEAR, PER EXHIBIT C:	
Net revenues .....	\$548,301.76
Less capital outlays from revenues.....	42,247.99
	<hr/>
Remainder .....	506,053.77
	<hr/>
Total .....	\$ 1,008,103.12
LESS TRANSFERS TO CAPITAL SURPLUS.....	259,845.87
	<hr/>
BALANCE, JUNE 30, 1940.....	\$ 748,257.25
	<hr/>

**CAPITAL SURPLUS**

BALANCE, JULY 1, 1939.....	\$37,813,311.96
ADD:	
Federal P. W. A. grants.....	\$544,583.85
Capital outlay from revenues (see above).....	42,247.99
Transfers from current surplus.....	259,845.87
Transfers from bond interest and redemption funds .....	21,652.47
Transfer from Sunshine School Equipment Fund .....	35.46
Premium on bonds sold.....	26.50
Bonds matured—payable from general revenues .....	775,000.00
	<hr/>
Total .....	1,643,392.14
	<hr/>
Total .....	\$39,456,704.10
LESS:	
Transfer to General Fund (balance of School House Bond 1934 Fund).....	\$ 99.80
Adjustments of property accounts by Controller, for losses on retirements, etc. (net).....	72,348.72
	<hr/>
Total .....	72,448.52
	<hr/>
BALANCE, JUNE 30, 1940.....	\$39,384,255.58
	<hr/>

**CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT**

(A Unified School District)

**SUMMARY OF REVENUES AND EXPENDITURES  
FOR THE YEARS ENDED JUNE 30, 1940 AND 1939**

	Year Ended June 30—	
	1940	1939
<b>REVENUES:</b>		
Property taxes and penalties.....	\$ 5,637,149.80	\$ 5,168,254.47
Revenues received through State of California:		
Elementary schools .....	\$ 2,431,922.01	\$ 2,406,111.39
High schools .....	2,312,591.57	2,215,139.06
Total .....	<u>\$ 4,744,513.58</u>	<u>\$ 4,621,250.45</u>
Other revenues:		
Apportionment of Federal and State vocational education funds.....	\$ 35,977.19	\$ 35,392.16
Tuition from other counties.....	110,510.95	78,886.40
Rentals .....	103,748.32	103,905.77
Miscellaneous .....	1,766.77	1,330.46
Total .....	<u>\$ 252,003.23</u>	<u>\$ 219,514.79</u>
Total revenues .....	<u>\$10,633,666.61</u>	<u>\$10,009,019.71</u>
<b>OPERATING EXPENDITURES—Schedule 1:</b>		
Administration .....	\$ 285,465.26	\$ 304,292.28
Instruction—Salaries .....	7,618,488.91	7,424,033.45
Instruction—Supplies, etc. ....	281,265.67	303,317.70
Auxiliary agencies .....	40,437.75	42,197.52
Coordinate activities .....	33,569.72	32,775.63
Operation .....	802,016.52	791,495.04
Maintenance .....	429,770.80	431,207.57
Fixed charges .....	594,350.22	559,587.39
Total operating expenditures.....	<u>\$10,085,364.85</u>	<u>\$ 9,888,906.58</u>
<b>NET REVENUES .....</b>	<u>\$ 548,301.76</u>	<u>\$ 120,113.13</u>
<b>CAPITAL OUTLAY:</b>		
Total capital expenditures—Schedule 1.....	\$ 3,740,537.51	\$ 888,895.40
Less:		
Sales of land and buildings.....	\$ 20,475.00	\$ 72,000.00
Expenditures from other funds:		
P. W. A. Docket No. 1578 Fund.....	3,677,779.06	614,045.45
P. W. A. Fund.....		774.90
School House Bond 1934 Fund.....		74.76
Sunshine School Equipment Trust Fund.	35.46	
Total .....	<u>\$ 3,698,289.52</u>	<u>\$ 686,895.11</u>
Remainder—Capital outlay from revenues .....	<u>\$ 42,247.99</u>	<u>\$ 202,000.29</u>
<b>REMAINDER:</b>		
Revenue surplus for year.....	\$ 506,053.77	.....
Excess of expenditures over revenues, provided from unexpended revenues at beginning of year .....		<u>\$ 81,887.16</u>

NOTE: The above statement does not include tax revenues applicable to bond interest and redemption or the related expenditures.

## SCHEDULE 1

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT

(A Unified School District)

STATEMENT OF EXPENDITURES  
FOR THE YEARS ENDED JUNE 30, 1940 AND 1939

	Year Ended June 30—	
	1940	1939
<b>OPERATING EXPENDITURES:</b>		
Administration:		
Salaries .....	\$ 255,793.23	\$ 256,899.15
Supplies .....	11,886.07	14,732.80
Traveling and automobile allowances.....	4,429.66	3,447.42
Cartage (see note).....		13,283.49
Other expenses .....	13,856.30	15,929.42
Total .....	\$ 285,465.26	\$ 304,292.28
Instruction—Salaries:		
Supervision .....	\$ 93,164.28	\$ 88,052.75
Kindergarten .....	201,995.54	190,820.84
Elementary day .....	3,061,085.48	2,997,878.01
Special schools .....	127,289.53	122,273.89
Junior high .....	1,179,671.31	1,166,680.42
High day .....	2,212,915.82	2,165,353.07
High evening .....	243,732.12	234,603.02
Junior college .....	335,960.32	302,261.02
Continuation .....	125,018.24	120,302.86
Adult .....	37,656.27	35,807.57
Total .....	\$ 7,618,488.91	\$ 7,424,033.45
Instruction—Supplies, etc.:		
Kindergarten supplies .....	\$ 2,945.53	\$ 2,834.76
Educational supplies .....	159,530.32	165,405.13
Books .....	85,771.55	91,303.76
Principals' office expenses.....	6,339.98	6,629.36
Supervision expense .....	4,787.60	4,310.89
Other expenses .....	21,890.69	32,833.80
Total .....	\$ 281,265.67	\$ 303,317.70
Auxiliary agencies:		
Transportation of pupils.....	\$ 29,086.05	\$ 29,796.98
Tuition paid other counties.....	2,535.00	2,724.60
Community centers .....	2,407.22	2,100.27
Other expenses .....	6,409.48	7,575.67
Total .....	\$ 40,437.75	\$ 42,197.52
Coordinate activities (compulsory education):		
Salaries .....	\$ 29,644.02	\$ 29,202.19
Automobile allowances .....	3,925.70	3,573.44
Total .....	\$ 33,569.72	\$ 32,775.63
FORWARD .....	\$ 8,259,227.31	\$ 8,106,616.58

SCHEDULE 1  
(Continued)

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT

(A Unified School District)

STATEMENT OF EXPENDITURES  
FOR THE YEARS ENDED JUNE 30, 1940 AND 1939

	Year Ended June 30—	
	1940	1939
OPERATING EXPENDITURES—(Forward) . . . . .	\$ 8,259,227.31	\$ 8,106,616.58
Operation:		
Janitors' and engineers' salaries . . . . .	\$ 558,936.27	\$ 555,063.56
Janitors' and engineers' supplies . . . . .	37,159.57	37,735.25
Gas and electricity . . . . .	64,874.21	67,095.51
Fuel . . . . .	43,781.98	56,577.58
Water . . . . .	40,803.04	40,606.51
Other expenses (window cleaning, cartage, etc.) . . . . .	56,461.45	34,416.63
Total . . . . .	\$ 802,016.52	\$ 791,495.04
Maintenance:		
Repairs to buildings and grounds . . . . .	\$ 292,081.65	\$ 304,612.30
Repairs to janitors' equipment . . . . .	45,314.87	57,039.64
Repairs to educational equipment . . . . .	89,846.28	67,155.96
Other expenses . . . . .	2,528.00	2,399.67
Total . . . . .	\$ 429,770.80	\$ 431,207.57
Fixed charges:		
Contributions to retirement system—City . . .	\$ 523,085.52	\$ 498,558.09
Contributions to retirement system—State . .	35,556.00	36,047.00
Insurance . . . . .	18,326.80	18,292.63
Rent . . . . .	10,162.32	7,664.96
Workmen's compensation and accident claims . . . . .	8,158.31	14,227.45
Other expenses (net) . . . . .	938.73	15,202.74
Total . . . . .	\$ 594,350.22	\$ 559,587.39
Total operating expenditures . . . . .	\$10,085,364.85	\$ 9,888,906.58
CAPITAL EXPENDITURES:		
Purchase of land . . . . .	\$ 1,246.30	\$ 130,877.36
Construction of new buildings, etc. . . . .	3,640,370.82	648,148.02
Equipment for new buildings . . . . .	36,642.85	21,072.66
Additions and betterments to old buildings . .	16,803.87	15,518.27
Equipment for old buildings . . . . .	45,473.67	73,279.09
Total capital expenditures . . . . .	\$ 3,740,537.51	\$ 888,895.40
TOTAL . . . . .	\$13,825,902.36	\$10,777,801.98

NOTE: Cartage was classified as operation expense for the year ended June 30, 1940, and as administration expense for the preceding year.

**San Francisco  
City and County Employees'  
Retirement System**

**Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1940**



**F. W. LAFRENTZ & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 Mills Building, San Francisco

September 23, 1940.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the San Francisco City and County Employees' Retirement System for the fiscal year ended June 30, 1940, and submit herewith our report, together with the following exhibits and schedule:

- EXHIBIT "A"—BALANCE SHEET as at June 30, 1940;
- EXHIBIT "B"—STATEMENT OF REVENUES AND EXPENDITURES for the Fiscal Year Ended June 30, 1940;
- Schedule No. 1—INVESTMENT BONDS.

### SCOPE OF THE EXAMINATION

Our examination was limited to a verification of the asset and liability accounts as at June 30, 1940, and a test check of the revenues and expenditures for the year. In connection therewith, we made a general review of the accounting methods, and examined or tested, in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, the accounting records and other supporting evidence, but we did not make a detailed audit.

The expert to the Grand Jury participated in the examination.

### BALANCE SHEET COMMENTS

#### CASH ON DEPOSIT WITH TREASURER—\$178,971.59

The cash on deposit with the Treasurer was verified as of June 30, 1940, by the accounting staff of the Controller's office. The report on this verification was inspected by us, and we ascertained that reconciliation was established with the balance as reflected in the records of the Retirement System.

#### ACCRUED INTEREST ON INVESTMENT BONDS—\$412,876.30

This amount represents the accrued interest on investment bonds at June 30, 1940, the computation of which was verified by us.

#### INVESTMENT BONDS—\$26,268,429.19

A summary analysis of the investment bonds in the Retirement Fund is set forth in Schedule No. 1 of this report.

The various securities which are held in the joint custody of the Controller and Treasurer were verified by actual inspection or were otherwise accounted for. The collections from interest coupons maturing during the year under review were verified. None of the securities were in default as to principal or interest as of June 30, 1940.

All the investment bonds in the Retirement Fund are of the character legal for the investments of insurance companies in California in accordance with the requirements of Section 159 of the Charter.

Inasmuch as the securities were purchased for investment purposes only, we have not attempted to determine their market value as of June 30, 1940.

The bonds are carried at amortized values as the Retirement System is extinguishing the premium or discount at which the bonds were purchased so that the book value will reach par at the maturity of the bonds.

Our audit covered a comprehensive test check of the amortization of bond



premium or discount on the individual bond record cards, and included also a test check of the accumulation of the net amortization for the year as reflected in the security list of the Retirement System.

The changes in the investment bonds during the year are summarized as follows:

	Total	Government, State, Municipal, and Other Political Subdivisions	Railroads	Other Public Utilities
Balance, July 1, 1939 (book value) .....	\$23,860,986.25	\$22,459,898.93	\$594,468.33	\$806,618.99
Add: Purchases .....	2,874,795.38	2,874,795.38	.....	.....
Total .....	<u>\$26,735,781.63</u>	<u>\$25,334,694.31</u>	<u>\$594,468.33</u>	<u>\$806,618.99</u>
Deduct:				
Bonds matured .....	\$ 176,775.00	\$ 176,775.00	.....	.....
Bonds sold .....	205,914.83	205,914.83	.....	.....
Amortization (net) ..	84,662.61	83,234.36	\$ 464.86	\$ 1,893.11
Total Deductions ..	<u>\$ 467,352.44</u>	<u>\$ 465,924.19</u>	<u>\$ 464.86</u>	<u>\$ 1,893.11</u>
Balance, June 30, 1940 (book value) .....	<u>\$26,268,429.19</u>	<u>\$24,868,770.12</u>	<u>\$594,933.19</u>	<u>\$804,725.88</u>

The item of "Bonds Sold" indicated in the above summary represents various bonds of a par value of \$205,000.00 which were sold during the year, and resulted in a profit of \$6,654.16 to the Retirement Fund.

#### ACCOUNTS RECEIVABLE, CITY AND COUNTY OF SAN FRANCISCO—\$5,121,456.41

The composition of this amount is as follows:

Amounts computed in accordance with Sections 166 and 169 of the Charter:

Current service:

Firemen .....	\$4,518,874.12
Policemen .....	1,068,640.17
Total .....	<u>\$5,587,514.29</u>

Less:

Appropriation credits .....	\$906,128.08
Taxes receivable allocated to the Retirement System, net .....	<u>50,981.36</u>
Remainder .....	<u>\$4,630,404.85</u>
Police \$2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932.....	<u>386,353.04</u>
Total .....	<u>\$5,016,757.89</u>
Employees' contributions in course of collection..	33,248.11
City's matching contributions, current service....	49,010.05
Prior service retirement allowances.....	21,562.79
Compensation insurance disbursements.....	<u>2,032.18</u>
Total .....	<u>\$5,122,611.02</u>
Less: Balance of 1939-40 appropriations carried forward to cover sick leave study and cost of actuarial survey .....	<u>1,154.61</u>
Total .....	<u><u>\$5,121,456.41</u></u>

Certain of the items indicated above are commented on as follows:

**Current Service—\$4,630,404.85**

This amount represents the balance which would be required from the City and County as of June 30, 1940, to establish an actuarial reserve equal to the liabilities accruing under the Retirement System on account of service rendered by policemen and firemen who became members on January 8, 1932, as provided in the Charter under subdivision (f) of Section 166 and subdivision (d) of Section 169. The subdivisions referred to are as follows:

*Section 166, subdivision (f)—Police Department Members:*

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the retirement system because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county, together with the members' contributions, was not sufficient to meet such liability, then the city and county, shall make such additional contribution as may be necessary to make up the deficit."

*Section 169, subdivision (d)—Members of Fire Department:*

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which shall be equal to the liabilities accruing under the retirement system because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

The Retirement Board, after an actuarial survey conducted for the purpose of determining the contributions referred to in the above quoted sections of the Charter, established a rate of 6.36 per cent of salaries earned by policemen and 19.16 per cent of salaries earned by firemen, who did not exercise the option granted by the Charter of becoming miscellaneous members of the Retirement System.

On June 7, 1938, the Retirement Board authorized a reduction from 4 per cent to 3½ per cent in the rate of interest credited to member contributions from July 1, 1938. This reduction would have the effect of slightly increasing the percentages stated above in computing City and County contributions. However, no change has so far been made in the percentages.

It has been the policy of the City and County administration to provide funds annually to meet the estimated disbursements for pensions and death benefits payable during the current year to policemen and firemen, rather than to establish reserves to meet the obligations of future years on account of current service. Funds allocated by the Controller from tax collections have been applied by the Retirement System first to cover retirement disbursements and matching contributions of the members in the miscellaneous classifications, and the remainder has then been applied to the contributions required from the City and County under Sections 166 (f) and 169 (d) of the Charter. In the tabulation above, under the caption of "Appropriation

Credits," is indicated an amount of \$906,128.08 as the remainder so applied up to June 30, 1940.

**Police \$2.00 Contributions Paid to the Police Relief and Pension Fund Prior to January 8, 1932—\$386,353.04**

On January 8, 1932, the members of the Police Relief and Pension Fund became members of the Retirement System. The above amount represents contributions of \$2.00 per month paid to the predecessor pension fund prior to January 8, 1932, by those employees who were members of the Police Department at that time, and who were still in the Department at June 30, 1940.

Interest at the rate of 3½ per cent per annum has been collected on this account for the year under review.

**Employees' Contributions in Course of Collection—\$33,248.11**

This amount represents deductions made from salary warrants for the second half of June, 1940, covering employees' contributions. At the time of our examination collection of this amount had been completed.

**City's Matching Contributions, Current Service—\$49,010.05**

The City and County is required under Section 164 of the Charter to contribute to the Retirement System an amount equal to the normal contributions of members. The amount stated above represents matching contributions due on June 30, 1940, as follows:

Municipal Railway .....	\$ 7,952.03
Water Department .....	3,452.32
Hetch Hetchy Power Division.....	279.85
General City and County.....	37,325.85
Total .....	<u>\$49,010.05</u>

**Prior Service Retirement Allowances—\$21,562.79**

This amount represents disbursements made on account of retirement allowances granted for prior service. In accordance with Section 43 of Ordinance 4.073, reimbursements are to be made by the City and County from the following funds:

San Francisco School Department.....	\$18,814.10
Municipal Railway .....	2,748.69
Total .....	<u>\$21,562.79</u>

**Compensation Insurance Disbursements—\$2,032.18**

Compensation disbursements for June, 1940, payable out of other than general fund appropriations, are stated in this amount. Reimbursement of this amount was completed prior to the conclusion of our audit.

**TAXES RECEIVABLE—\$77,685.40**

**LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS—  
\$26,704.04**

The Controller's accounts reflect an allocation to the Retirement System of \$77,685.40 of secured and unsecured delinquent taxes and penalties, with a reserve provision in the amount of \$26,704.04 to cover any uncollectible unsecured personal property taxes.

**UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY—\$4,720,140.97**

The composition of this amount is as follows:

Service retirements, current service:

Miscellaneous members .....	\$2,427,488.90	
Firemen .....	425,042.89	
Policemen .....	315,121.72	\$3,167,653.51

Disability retirements, current service:

Miscellaneous members .....	\$ 456,204.90	
Firemen .....	238,107.86	
Policemen .....	211,763.87	906,076.63

Death allowances:

Firemen .....	\$ 316,872.27	
Policemen .....	329,538.56	646,410.83

Total .....		<u>\$4,720,140.97</u>
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Excluding the amounts under "Disability retirements, current service," which are referred to specifically hereafter, the above amounts represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of the members, increased by annual interest credits computed on the undistributed portion to June 30, 1940, and decreased by the monthly allowances paid up to that date. The amounts do not include the liability to retired members for prior service, as this portion of the monthly allowances is reimbursed to the Retirement System annually, by the City and County.

Recorded service and disability retirements and death allowances granted and approved by the Retirement Board during the year ended June 30, 1940, were subjected to an extensive test check, which included an examination of related documents, records, and other supporting evidence. The aggregate of the undistributed balances as reflected in the retired members' individual cards was in agreement with the general ledger controlling accounts.

**Disability Retirements, Current Service—\$906,076.63**

This amount is made up as follows:

	Miscellaneous Members	Firemen	Policemen
Present value at June 30, 1940, of the disability retirement allowances granted, ascertained by calculations based on future payments to be made..	\$229,891.32	\$ .....	\$53,239.30
Undistributed portion as of June 30, 1940, of the total value of retirement allowances as determined at date of retirement .....	226,313.58	238,107.86	158,524.57
Total .....	<u>\$456,204.90</u>	<u>\$238,107.86</u>	<u>\$211,763.87</u>

**MEMBERS' ACCUMULATED CONTRIBUTIONS—\$11,378,511.42**

Under this caption are included the following contributions by members of the Retirement System who are still in the service:

Normal contributions, miscellaneous members.....	\$10,489,584.97
Policemen \$2.00 contributions.....	688,801.75
Additional contributions .....	200,124.70
Total .....	<u>\$11,378,511.42</u>

Our audit in connection with the members' contributions included a comprehensive test check of the computations in the individual members' accounts for the year. We also ascertained that the aggregate of the balances as reflected in the members' ledger accounts was in agreement with the corresponding control accounts.

The three items classified above are commented on as follows:

**Normal Contributions, Miscellaneous Members—\$10,489,584.97**

This amount represents contributions made by miscellaneous members at varying rates, as determined in accordance with the provisions of Ordinance No. 4.073, plus interest compounded at June 30 each year. The rate of interest, as authorized by the Retirement Board, was  $3\frac{1}{2}$  per cent per annum for the year under review.

**Policemen \$2.00 Contributions—\$688,801.75**

On January 8, 1932, policemen who were members of the Police Relief and Pension Fund, became members of the San Francisco City and County Employees' Retirement System. Members under the former plan were contributing on a basis of \$2.00 each per month and were given options of continuing on this basis or of becoming members on the same conditions as policemen who entered the Department employ after January 8, 1932. The amount stated above represents the contributions of policemen who are still in the service, but who have not yet elected to become members under the latter classification. Interest compounded at June 30, each year, has been added to the account and for the year under review this interest was based on a rate of  $3\frac{1}{2}$  per cent per annum.

**Additional Contributions—\$200,124.70**

Members are permitted under Section 164 of the Charter to make contributions in addition to the normal contributions as fixed by the Retirement Board. No liability, however, attaches to the City and County for matching contributions in this connection. Interest is added to the balances at the same rate as determined for normal contributions.

**CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, CURRENT SERVICE—\$13,887,420.50**

This item represents City and County accumulated contributions, and is classified as follows:

Matching contributions, miscellaneous members...	\$10,489,584.97
Firemen .....	3,109,794.87
Policemen .....	288,040.66
Total .....	<u>\$13,887,420.50</u>

**Matching Contributions, Miscellaneous Members—\$10,489,584.97**

In accordance with Section 164 of the Charter, the City and County shall contribute an amount equal to the normal contributions of the members. This amount represents the accumulated contributions of the City and County in conformity therewith.

**Firemen—\$3,109,794.87**

**Policemen—\$288,040.66**

The above items represent the accumulated contributions of the City and County on account of firemen and policemen still in service and who became

members of the Retirement System on January 8, 1932, but did not exercise the option granted by the Charter of becoming miscellaneous members. These contributions, as has already been referred to, are computed on the basis of 19.16 per cent of salaries earned by firemen, and 6.36 per cent of salaries earned by policemen.

### **CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, OTHER— \$1,273,861.86**

The composition of this amount is as follows:

City and County matching contributions released by withdrawal of members from City and County employment, held as a reserve to meet the obligations of the City and County on account of benefits granted and prior service of members:

General City and County.....	\$1,228,304.88
Municipal Railway .....	183,877.78
Water Department .....	36,434.71
Hetch Hetchy Power Division.....	15,760.75
Total .....	<u>\$1,464,378.12</u>

Deduct:

Excess of death benefits paid to deceased members over released matching contributions.....	\$108,981.27	
Excess of present value of disability retirement allowances for current service as calculated at June 30, 1940, over residue of City and County contributions transferred at time of retirement..	81,534.99	190,516.26
Total .....		<u><u>\$1,273,861.86</u></u>

### **ACCOUNTS PAYABLE—\$22,268.69**

Under this caption is included an item of \$21,811.71 representing amounts due beneficiaries of deceased members. These amounts are being paid in monthly installments. The balance of \$456.98 covers refundable contributions, generally of small amounts, due members who have left the service and have not yet been located.

### **RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS— \$750,511.41**

This amount represents the excess of the interest earned on investments and accounts receivable balances plus profits on bonds sold or called, over the interest credited on members' and City and County contributions and on undistributed portions of retirement allowances. Included in this account are small adjustments in the general ledger controlling accounts to bring them into agreement with the aggregate of the members' individual ledger cards.

The rate of interest credited to the members and the City and County on the contributions made by them, was on a basis of 3½ per cent per annum for the period under review.

The average rate of interest earned on Retirement Fund investments while still in excess of 3½ per cent is decreasing yearly. This is due not only to the low interest rate on securities purchased out of current contributions, but also to the fact that securities purchased in the past bearing higher interest rates have to be reinvested as they mature, in securities with a much lower yield.

The changes in the reserve account for the year ended June 30, 1940, are as follows:

Balance, July 1, 1939.....		\$ 619,640.17
Add: Interest earned:		
Investments .....	\$ 980,986.69	
Accounts receivable .....	170,936.88	1,151,923.57
		<hr/>
Profit on bonds sold.....		6,654.16
		<hr/>
Total .....		\$1,778,217.90
Deduct:		
Interest credited to members and the City and		
County on their contributions and on undis-		
tributed portions of retirement allowances....	\$1,027,637.81	
Adjustment of contribution controls, net.....	68.68	1,027,706.49
		<hr/>
Balance, June 30, 1940.....		<u>\$ 750,511.41</u>

### COMPENSATION INSURANCE

As of June 30, 1940, all departments of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions being administered by the Retirement System. Section 172 of the Charter covering compensation insurance reads in part as follows:

"The benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to or on account of officers and employees, including teachers of the city and county, shall be administered exclusively by the retirement board, provided that the retirement board shall determine whether the city and county, through the retirement system, shall assume the risks under the said law, in whole or in part, or whether it shall reinsure such risks, in whole or in part, with the State Compensation Insurance Fund. Benefits under such risks as may be assumed by the city and county and premiums under such risks as may be reinsured shall be paid by the retirement system, and an amount equal to the total of such benefits and premiums, as determined by the actuary for any fiscal year, including the deficit brought forward from previous years, shall be paid during such fiscal year to the retirement system by the city and county."

All disbursements made by the Retirement System during the year under review on account of compensation expenditures were repaid by the City and County with the exception of the amount of \$2,032.18 which is included on the balance sheet under the accounts receivable due from the City and County. The above quoted section of the Charter provides that liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year; however, the payments received have reimbursed the Retirement System for actual disbursements only.

Respectfully submitted,

F. W. LAFRENTZ & CO.,  
Certified Public Accountants.

## EXHIBIT "A"

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

Balance Sheet as at June 30, 1940

## ASSETS

CASH ON DEPOSIT WITH TREASURER.....	\$	178,971.59
ACCRUED INTEREST ON INVESTMENT BONDS..		412,876.30
INVESTMENT BONDS—Schedule No. 1.....		26,268,429.19
ACCOUNTS RECEIVABLE, CITY AND COUNTY OF SAN FRANCISCO.....		5,121,456.41
TAXES RECEIVABLE .....	\$77,685.40	
LESS: ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS .....	26,704.04	50,981.36
TOTAL .....		<u>\$32,032,714.85</u>

## LIABILITIES

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIRE- MENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY.....	\$	4,720,140.97
MEMBERS' ACCUMULATED CONTRIBUTIONS...		11,378,511.42
CITY AND COUNTY ACCUMULATED CONTRIBU- TIONS, CURRENT SERVICE.....		13,887,420.50
CITY AND COUNTY ACCUMULATED CONTRIBU- TIONS, OTHER .....		1,273,861.86
ACCOUNTS PAYABLE .....		22,268.69
RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS .....		750,511.41
TOTAL .....		<u>\$32,032,714.85</u>

NOTES: The above balance sheet does not include the liability to retired members, or to active members of the Retirement System for retirement allowances granted, or to be granted, on account of prior service; that is, service in City and County employment before becoming members of the Retirement System. Section 43 of Ordinance 4,073 provides that all allowances paid on account of prior service shall be reimbursed to the Retirement Fund by the City and County.

Compensation awards and claims pending as of June 30, 1940, were estimated by the Retirement System to be \$145,929.36 and are not included with the liabilities on the above balance sheet. Of this amount \$65,394.90 is estimated to be payable during the fiscal year ending June 30, 1941. Benefits and other expenditures paid by the Retirement System on account of these claims will be reimbursed by the City and County.



## EXHIBIT "B"

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

Statement of Revenues and Expenditures for the  
Fiscal Year Ended June 30, 1940

## REVENUES:

## Members' Contributions:

Normal contributions, miscellaneous members.	\$ 989,887.12	
Redeposited normal contributions, miscellaneous members .....	3,705.41	
Members' additional contributions.....	40,519.65	
Police \$2.00 contributions.....	7,653.08	\$1,041,765.26

City and County contributions to match contributions of miscellaneous members.....		989,887.12
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## Contributions by City and County to meet current service obligations:

Firemen .....	\$ 585,725.58	
Policemen .....	62,256.68	647,982.26

## Contributions by City and County to meet prior service obligations:

Miscellaneous members .....	\$ 484,845.68	
Firemen .....	580,860.56	
Policemen .....	334,079.30	1,399,785.54

## Other contributions by City and County:

Administrative expense .....	\$ 52,505.31	
Compensation insurance costs:		
Benefits .....	\$56,603.91	
Medical charges .....	46,368.60	102,972.51
		155,477.82

Deposits by beneficiaries under death claims....		22,883.09
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## Income on investments:

Interest .....	\$1,065,649.30	
Profit on bonds sold.....	6,654.16	1,072,303.46

TOTAL (Forward) .....		\$5,330,084.55
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## EXHIBIT "B" (Continued)

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

**Statement of Revenues and Expenditures for the  
Fiscal Year Ended June 30, 1940**

REVENUES (Forwarded) .....		\$5,330,084.55
EXPENDITURES:		
Members' accumulated contributions withdrawn:		
Miscellaneous members:		
Normal contributions .....	\$87,736.54	
Additional contributions .....	112.08	\$ 87,848.62
Police \$2.00 contributions.....	944.93	\$ 88,793.55
Service retirement allowances:		
Miscellaneous members .....	\$ 673,142.80	
Firemen .....	427,929.98	
Policemen .....	100,094.61	1,201,167.39
Disability retirement allowances:		
Miscellaneous members .....	\$ 127,816.62	
Firemen .....	110,543.29	
Policemen .....	169,742.40	408,102.31
Death allowances:		
Firemen .....	\$ 121,994.94	
Policemen .....	84,794.83	206,789.77
Death benefits to members' beneficiaries:		
Miscellaneous members .....	\$ 304,357.08	
Firemen .....	5,304.08	
Policemen .....	26,481.49	336,142.65
Death benefits to retired members' beneficiaries:		
Miscellaneous members .....		56,739.70
Monthly installments to death claim beneficiaries		1,706.12
Police \$2.00 accumulated contributions due from City and County .....		36,005.72
Compensation costs:		
Benefits .....	\$ 56,603.91	
Medical charges .....	46,368.60	102,972.51
Administrative expenses .....		52,505.31
Amortization of investment bonds.....		84,662.61
TOTAL .....		\$2,575,587.64
NET REVENUES .....		\$2,754,496.91

## SCHEDULE No. 1

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

## Investment Bonds—June 30, 1940

Description	Par Value	Book Value June 30, 1940
GOVERNMENT, STATE, MUNICIPAL, AND OTHER POLITICAL SUBDIVISIONS:		
United States Government.....	\$ 400,000.00	\$ 423,039.91
State of California General Fund Warrants.....	200,000.00	200,400.07
State of California.....	3,241,000.00	3,310,538.25
State of California Toll Bridge Authority...	450,000.00	480,618.18
City and County of San Francisco.....	3,464,400.00	3,621,516.34
East Bay Municipal Utility District.....	1,618,000.00	1,782,120.57
City of New York.....	2,911,000.00	3,282,753.52
Golden Gate Bridge and Highway District..	500,000.00	562,139.31
City of Los Angeles.....	2,340,000.00	2,709,490.68
Los Angeles County Flood Control District..	1,230,000.00	1,455,313.90
Marin Municipal Water District.....	361,000.00	378,477.97
Metropolitan Water District of Southern California .....	3,233,000.00	3,603,704.23
City of Richmond .....	404,000.00	430,243.57
City of Sacramento .....	393,000.00	426,076.54
City of Stockton.....	375,300.00	404,928.86
Other California Municipalities and School Districts, etc. ....	1,718,487.50	1,797,408.22
Total .....	<u>\$22,839,187.50</u>	<u>\$24,868,770.12</u>
RAILROADS:		
Atchison, Topeka and Santa Fe Railroad Company .....	\$ 103,000.00	\$ 98,454.74
Southern Pacific Railroad Company.....	393,100.00	388,820.50
Union Pacific Railroad Company.....	105,000.00	107,657.95
Total .....	<u>\$ 601,100.00</u>	<u>\$ 594,933.19</u>
OTHER PUBLIC UTILITIES:		
California Water Service Company.....	\$ 28,000.00	\$ 28,852.21
San Joaquin Light and Power Company.....	409,000.00	444,127.63
Southern California Gas Company.....	37,000.00	35,900.48
Southern Counties Gas Company.....	312,500.00	295,845.56
Total .....	<u>\$ 786,500.00</u>	<u>\$ 804,725.88</u>
TOTAL .....	<u><u>\$24,226,787.50</u></u>	<u><u>\$26,268,429.19</u></u>

# Annual Report

of the

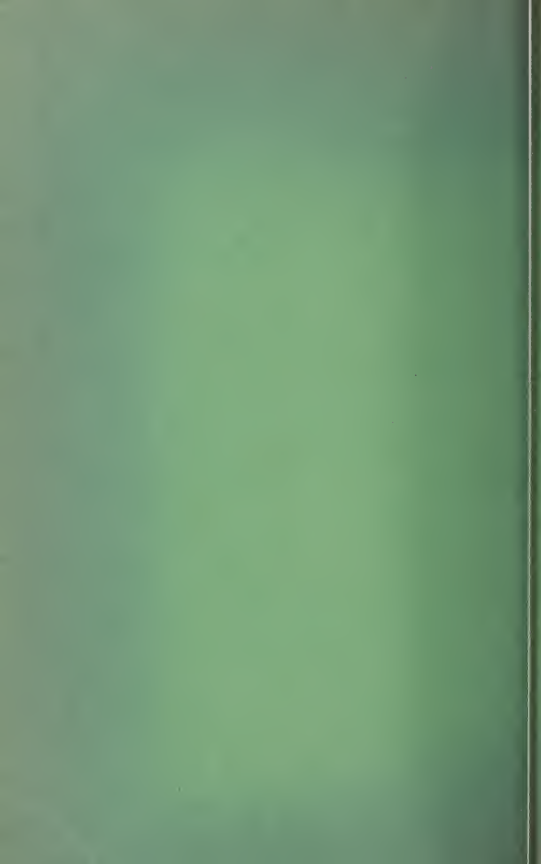
# Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1941





# Annual Report

of the

# Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1941



THE RECORDER PRINTING AND PUBLISHING COMPANY  
99 South Van Ness Ave., San Francisco





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## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF CONTROLLER

December 8, 1941.

To His Honor the Mayor, and The Honorable the Board of Supervisors, City and County of San Francisco.

Gentlemen:

In conformance with the provisions of Section 65 of the Charter, the annual report of the Controller for the fiscal year ended June 30, 1941, is submitted herewith.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Lybrand, Ross Bros. and Montgomery by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of departments were made by the Controller's Audit Staff, with the exception of the following audits which were made pursuant to the provisions of Ordinance Number 9.0621 by the firms indicated:

Hetch Hetchy Water Supply and Power Project, by John F. Forbes & Company.

San Francisco Water Department, by F. W. Lafrentz & Company.

Municipal Railway, by William Dolge & Company.

Retirement System, by Peat, Marwick, Mitchell & Company.

San Francisco School Department, by Lester Herrick & Herrick.

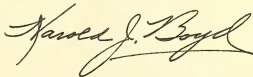
With respect to the audit of the Treasure Island Airport, this audit is being made by the firm of Ernst & Ernst, which firm reported on October 27, 1941, as follows:

"Pursuant to your instructions, we have been making an examination relating to the balance sheet as at June 30, 1941, of the public service enterprise designated as Treasure Island Airport, located at Treasure Island, San Francisco Bay, California.

"May we respectfully inform you that the examination herein referred to, presently is being held in abeyance pending receipt of certain legal opinions requested several weeks ago from the City Attorney, on matters pertinent to said examination. As soon as such opinions become available to us, the future course of our examination will be determined and we will endeavor to pursue it to a conclusion."

The audit of the Treasure Island Airport will be made the subject of a separate report.

Yours very truly,

A handwritten signature in dark ink, reading "Harold J. Boyd". The signature is fluid and cursive, with the first name "Harold" and last name "Boyd" clearly legible.

Controller.



## COMMENTS BY THE CONTROLLER IN CONNECTION WITH THE 1941 ANNUAL REPORT AND SOME SPECIAL OBSERVATIONS CONCERNING THE FISCAL ASPECTS OF THE FIRST TEN YEARS UNDER THE PRESENT CHARTER

### A Purely Personal Preface

This annual report goes to press much later than usual.

Peritonitis and pneumonia kept me away from my desk from September 6th to November 5th. There was better than an even chance during September that some signature other than my own would appear over the title word "Controller". It was possible for me, during my convalescence, to give some attention to the annual report, and it may be that the detached point of view which absence from the office made possible may add something to the value of this submission.

### General Powers and Duties of the Controller

Under this caption in the Charter, which is now in the eleventh year of its life, appear five sections, which are quoted herewith:

#### General Powers and Duties of the Controller

"Section 64. The controller shall be the successor of the auditor, and shall have the powers and duties of a county auditor, except as in this charter otherwise provided. He shall be the auditor and chief accounting officer of the city and county, and shall exercise general supervision over the accounts of all officers, commissions, boards and employees of the city and county charged in any manner with the receipt, collection or disbursement of city and county funds or of other funds, in their capacity as city and county officials or employees. He shall have the power and duty of prescribing the method of installing, keeping and rendering accounts of, and the financial reports to be rendered by, the several officers, boards and employees of the city.

"The controller shall keep accounts showing the financial transactions of all departments, offices and other subdivisions of the city and county. Such accounts and the accounting procedure shall be adequate to record (a) all budgeted revenues and appropriations, together with additions or transfers thereto, and to show at all times the amount of encumbrances, expenditures or transfers therefrom, and the balances therein; (b) all revenues accrued and liabilities incurred; (c) all cash receipts and disbursements; and (d), in general, all transactions affecting the acquisition, custody or disposition of values.

"Subject to the provisions of this section, the public utilities commission shall maintain separate accounts for each utility in such manner as to exhibit exact and complete financial results of ownership, management and operation; the actual cost of each utility; all costs of maintenance, extension and improvement; all operating expenses of every description; the general expenses of the commission and bureaus thereof apportioned to each such utility; the amount paid or set aside for depreciation, insurance, interest and sinking fund; and estimates of the amount of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. All accounts shall be maintained in accordance with forms and requirements of the state railroad commission for public utilities engaged in like



character of service, in so far as these shall be applicable to publicly owned and operated utilities.

"It shall be the duty of the controller to determine, where practicable, the unit cost of work done by the city and county for the purpose of determining whether similar work could be done under public contract at a lower cost. The controller shall devise adequate systems of internal check of all departments and offices of the city and county relative to the custody, collection or disbursement of moneys."

### Controller's Reports

"Section 65. The controller shall annually make a complete financial report which shall be audited and distributed as provided in section 68 of this charter. The controller shall also make a quarterly report not later than the 25th day of the month succeeding the last preceding quarter showing a summary statement of revenues and expenditures for the preceding quarter and for that portion of the fiscal year ending on the last day of such preceding quarter. Such statement shall include all general and funding accounts and shall be detailed as to assets, liabilities, income, expenditures, appropriations and funds, in such manner as to show the financial conditions of the city and county and of each department, office, bureau or division thereof, for that portion of the fiscal year to and including the preceding quarter, and with comparative figures for the similar period in the preceding fiscal year. The controller shall at the same time prepare statements showing at the end of each quarter the cash position of the city and county (and the unencumbered balance in each fund). He shall also prepare quarterly for each of the several funds a summary of the resources available and estimated to be collectible, obligations authorized and estimated to be expendable, and surplus in such a manner as to show the estimated cash position of each fund at the end of the fiscal year. He shall also prepare monthly and transmit to all department heads concerned, reports showing the allowances, expenditures, encumbrances and unencumbered balances of each revenue and expenditure appropriation. A copy of each such quarterly report and special fiscal reports as requested, shall be transmitted to the mayor, the board of supervisors, the chief administrative officer, and kept on file in the controller's office."

### Audits by Controller

"Section 66. The controller shall audit the accounts of all boards, officers and employees of the city and county charged in any manner with the custody, collection, or disbursement of funds. The controller shall audit monthly all accounts of money coming into the hands of the treasurer. He shall make an audit monthly of each departmental revolving fund authorized by this charter or by the board of supervisors.

"When requested by the mayor, the board of supervisors, the chief administrative officer, or any board or commission for its own department, he shall audit the accounts of any officer or department, and on the death, resignation, removal, expiration of term or retirement of the head of any department or office, or any officer or employee charged with the receipt, collection or disbursement of money, shall make an audit of the accounts of such department, officer or employee."

### **Custody and Examination of Official Bonds**

"Section 67. The controller shall be the custodian of all official bonds, excepting the bond of the controller, which shall be in the custody of the mayor. The controller must at least once in every six months examine all official bonds and investigate the sufficiency and solvency of the sureties thereon, and forthwith report in writing the facts to the mayor. Upon receipt of such report, the mayor shall take such action as shall be necessary to protect the city and county, and may require new bonds and may suspend any officer or employee until a sufficient bond is filed and approved. The mayor shall make similar periodic examination of the controller's bond."

### **Annual Audits by Supervisors**

"Section 68. The board of supervisors shall order an annual audit of the controller's books of accounts, records and transactions, to be made by one or more certified public accountants. The report of such auditor or auditors for the fiscal year shall be printed and a copy thereof furnished to the mayor, each member of the board of supervisors, the chief administrative officer, and the controller and to such citizens as may apply therefor."

Attention is directed to the fact that the foregoing are the GENERAL powers and duties of the office.

In addition thereto, a consequential number of SPECIFIC responsibilities are assigned to the Controller by other sections of the Charter, and by various municipal ordinances, and, in his capacity as County Auditor, further tasks are assigned to him by the Codes and the Constitution of the State of California.

Two pertinent examples of specific responsibilities are:

### **Limitation on Incurrence of Liabilities**

"Section 86.

\* \* \* \* \*

"No obligation involving the expenditure of money shall be incurred or authorized by any officer, employee, board or commission of the city and county unless the controller first certify that there is a valid appropriation from which the expenditure may be made, and that sufficient unencumbered funds are available in the treasury to the credit of such appropriation to pay the amount of such expenditure when it becomes due and payable."

\* \* \* \* \*

### **Adoption of the Budget and the Appropriation Ordinance**

"Section 72.

\* \* \* \* \*

"The several items of expenditure appropriated in each annual appropriation ordinance, being based on estimated receipts, income or revenues which may not be fully realized, it shall be incumbent upon the controller to establish a schedule of allotments, monthly or quarterly as he may determine, under which the sums appropriated to the several departments shall be expended. The controller shall revise such revenue estimates monthly. If such revised estimates indicate a shortage the controller shall hold in reserve an equivalent amount of the corresponding expenditure appropriations set forth in any said annual appropriation ordinance until the collection of the amounts as originally estimated is assured, and in all cases where it is provided by this charter that

a specified or minimum tax shall be levied for any department the amount of the appropriation in any annual appropriation ordinance derived from taxes shall not exceed the amount actually produced by the levy made for said department. The controller in issuing warrants or in certifying contracts or purchase orders or other encumbrances, pursuant to section 86 of this charter, shall consider only the allotted portions of appropriation items to be available for encumbrance or expenditure and shall not approve the incurring of liability under any allotment in excess of the amount of such allotment. In case of emergency or unusual circumstance which could not be anticipated at the time of apportionment, an additional allotment for a period may be made on the recommendation of the department head and that of the chief administrative officer, board or commission and the approval of the controller. After the allotment schedule has been established or fixed, as heretofore provided, it shall be unlawful for any department or officer to expend or cause to be expended a sum greater than the amount set forth for the particular activity in the said allotment schedule so established, unless an additional allotment is made, as herein provided."

\* \* \* \* \*

To state it concisely—the Controller is charged with the full responsibility for

1. Financial management and control
2. Audit and recordation of
  - (a) All receipts and disbursements
  - (b) All transactions affecting the acquisition, custody or disposition of other things of value
3. Studies of the cost of operations
4. Reporting the results of each of the foregoing performances.

### The Ten Years That Have Passed

The Controller's records show that the last ten years have brought to government (and Federal, State and Municipal governments are grouped in that one word) problems for which neither public officials nor the public itself was prepared. In 1931 no one in America could know the new burdens and the added burdens which government would be called on to assume in the decade then approaching. As a single example: governmental requirements in San Francisco for "Charities, Hospitals, and Corrections" for the fiscal year 1931-1932 were \$4,255,588.32; for the fiscal year 1940-1941 they were more than three times that sum, or \$12,805,411.89.

### A Half a Billion Dollars

During the ten years which ended on June 30, 1941, San Francisco's municipal government disbursed half a billion dollars. There is included in this annual report a series of statements showing by years the receipts and expenditures of your local government. I recommend a careful study of these tabulations, but I would voice a word of caution: a mere comparison of totals without a careful analysis of the detail and the supporting schedules which accompany them in this volume would lead to erroneous conclusions.

### We Must Pay Two Hundred and Twenty-two Million Dollars for Bond Interest and Redemption

The debt for bond interest and redemption was incurred by vote of the people.

On the date of this report the unmatured, unpaid bonded debt was \$143,-581,300, of which sum the amount for general city and county purposes was \$41,413,300 and for public service enterprises (Municipal Railway, Airport, Water Department, Hetch Hetchy, etc.)—\$102,168,000.

In addition to the principal sum, which will not be fully discharged until 1978, we must pay future interest charges which will total \$79,054,131.

The fiscal position of the city is sound but it is well to recognize that future revenues are mortgaged to the extent of \$222,635,431, the total of the bonded debt plus the interest which will accrue during the life of the bonds.

For the use of the money borrowed and used for improvements, the people must pay practically eighty million dollars during the coming thirty-seven years. In other words, having used borrowed money to finance their needs, the people must pay for the use of that money from future revenues.

With this existing "mortgage"—\$222,635,431—staring them in the face, it could be argued that the people will be reluctant to incur further debt—and further interest charges. Yet further capital will be required if current demands are to be met.

In this connection, attention is directed to the suggestion made in my 1938 report as to a possible solution. I quote briefly from that report:

"An extensive survey and study has been made by the Controller's office with the idea of finding, if possible, a "way out" of the present quandary in so far as the financing of essential improvements is concerned in view of the disinclination of the people to continue further along the 'Bond issue road.'

"As a result of these studies and surveys, inquiries and observations, it is recommended that earnest consideration be given to, and earnest effort made toward, the formulation of a fiscal policy based on the following points:

"First—That no further general obligation bond issues be submitted to the voters for their approval.

"Second—That a Charter Amendment be submitted to the voters which would authorize the creation of a 'Reserve for Public Improvements Fund'; that the amount to be placed annually in this fund shall be the difference between the present requirement for both bond interest and redemption and the reduced requirement for such purposes for each succeeding fiscal year; that expenditures from this fund be confined exclusively to public improvements and that a prior authorization from the voters be obtained before any such expenditure is made."

### The Board of Supervisors and the Annual Budget

I hope that my motives will not be misunderstood if I comment on one particular phase of the problem with which the legislative branch of local government must contend during annual budget deliberations. It is the time element. The Board of Supervisors actually has only ten days at its disposal for consideration of a proposed annual budget. Ten days are not sufficient for any group of men to acquaint themselves with the complexities of a budget which exceeds fifty million dollars. Remember—there are more than seven hundred pages of detailed figures in the budget.

The consolidated budget estimates, and the related documents, come to the Board of Supervisors on May 1st; the Board must complete its budget deliberations by May 26th; excluding the day of receipt and the final date of May 26th, the budget is, therefore, in the hands of the Board for twenty-four days; deduct four Sundays, and four Saturdays, and deduct, further, four Mondays (Monday being the regular meeting day of the Board), and there are twelve days remaining; then allow at least two days prior to consid-

eration for the time that the documents are in the hands of the printers—(because the budget documents, by reason of Charter provision, must be published as other ordinances are published)—and the total time for the Board to devote exclusively to the budget consideration is only ten days.

### **The Years to Come**

The one certain thing in these uncertain times is that government (and again I am grouping Federal, State and Municipal governments in that one word) faces a period during which fiscal problems will be far greater than they were during the depression years. More than ever before it is essential that municipal government examine its fiscal structure, and to the degree that it is possible to do so, remembering that the times are uncertain, plan its fiscal future. It now becomes a matter of tragic necessity for the legislative, the executive, and the administrative branches of local government, by coordination of effort, to agree on certain objectives and to follow an agreed-upon fiscal program.

### **A Pledge**

As the chief fiscal officer, I am prepared to extend every possible cooperation to the legislative, the executive, and the administrative divisions of municipal government in order that, through coordinated effort, we may be better able to cope with the financial problems of the future.

### **Conclusion**

The budget for the fiscal year 1940-1941 was balanced on a cash basis. No statement beyond that is necessary to emphasize the current soundness of the finances of the City and County of San Francisco.

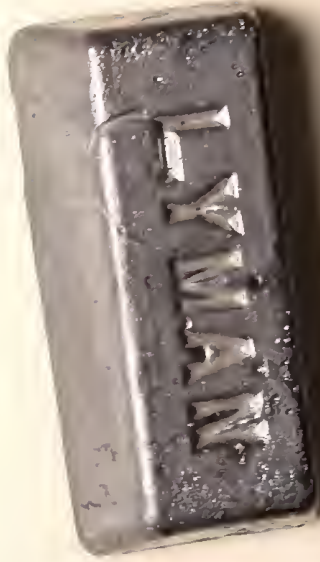
The stability of the municipal fiscal structure can never be questioned as long as the fiscal provisions of the Charter are observed. They are guarantees against financial chaos, they are the safeguards against fiscal disorder. I am in hearty accord with those safeguards and to their rigid enforcement I am committed by my oath of office.

CITY AND COUNTY OF SAN FRANCISCO  
STATEMENT OF EXPENDITURES  
For the Period from July 1, 1931 to June 30, 1941

FISCAL YEAR ENDED JUNE 30

Expenditures:	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
<b>Departmental Expenditures:</b>										
General Government .....	\$ 3,100,528.06	\$ 3,007,905.46	\$ 2,623,389.76	\$ 2,718,129.86	\$ 2,946,856.22	\$ 3,040,818.27	\$ 3,019,105.86	\$ 3,238,229.08	\$ 3,163,150.04	\$ 3,545,021.91
Protection to Life and Property.....	7,386,756.17	7,033,992.51	6,445,380.46	6,881,921.03	7,223,154.66	7,219,819.90	7,268,345.91	7,479,576.97	7,468,426.70	7,354,689.63
Conservation of Health.....	524,521.15	520,605.44	502,490.23	536,912.88	573,064.84	638,520.38	720,669.99	729,965.03	769,094.19	759,713.00
Sanitation .....	810,911.23	708,832.93	659,472.13	753,415.29	829,299.77	890,184.19	949,076.64	980,792.83	1,019,462.37	1,066,773.66
Highways .....	1,344,091.76	1,221,224.52	1,159,110.99	1,115,753.42	1,176,316.42	1,054,224.08	1,230,210.82	1,219,195.49	1,212,568.96	1,304,626.40
Charities, Hospitals and Corrections, Details Annexed	4,255,588.32	4,230,463.05	3,614,992.12	5,434,810.19	5,579,335.79	7,465,479.11	9,270,225.45	10,495,145.04	11,643,004.45	12,805,411.89
Education .....	9,659,116.42	9,557,550.69	8,457,811.04	8,754,428.46	9,265,695.90	9,450,271.30	9,687,961.75	9,795,313.14	9,952,856.51	10,286,844.98
Recreation .....	1,585,249.22	1,803,958.43	1,824,922.39	1,938,015.93	1,966,600.72	1,996,219.29	2,263,946.40	2,325,697.34	2,311,834.30	2,329,635.19
General and Miscellaneous.....	231,138.66	249,418.46	196,147.02	228,665.07	192,543.27	196,151.31	194,821.59	190,525.77	191,250.95	.....
<b>Total Departmental Expenditures.....</b>	<b>\$28,897,900.99</b>	<b>\$28,333,951.49</b>	<b>\$25,483,716.14</b>	<b>\$28,362,052.13</b>	<b>\$29,752,867.59</b>	<b>\$31,951,687.83</b>	<b>\$34,604,364.41</b>	<b>\$36,454,440.69</b>	<b>\$37,731,648.47</b>	<b>\$39,452,716.66</b>
<b>Bond Redemption .....</b>	<b>\$ 1,975,100.00</b>	<b>\$ 2,244,100.00</b>	<b>\$ 2,519,100.00</b>	<b>\$ 3,059,100.00</b>	<b>\$ 3,150,100.00</b>	<b>\$ 3,150,100.00</b>	<b>\$ 3,125,100.00</b>	<b>\$ 2,925,100.00</b>	<b>\$ 2,865,100.00</b>	<b>\$ 3,165,100.00</b>
Bond Interest .....	2,322,499.29	2,481,612.29	2,340,169.44	2,452,506.69	2,332,871.64	2,389,524.78	2,242,890.46	2,113,474.87	1,992,705.17	1,849,000.76
Pensions and Compensation Insurance.....	1,349,091.09	1,381,505.06	1,397,963.31	1,443,536.13	1,971,267.63	2,059,113.75	2,292,162.26	2,393,309.71	2,455,250.31	2,451,517.11
Contributions to Public Service Enterprises.....	.....	2,085,707.19	2,419,421.04	2,199,252.95	1,867,297.14	1,890,935.88	2,902,720.66	2,837,839.39	1,245,681.30	2,403,174.19
Capital Additions from Revenues.....	2,643,521.51	982,380.02	752,832.25	2,062,197.39	2,409,969.27	2,945,921.22	1,920,928.31	1,604,530.68	1,046,070.03	1,247,743.85
Publicity and Advertising for Community Promotion.....	230,270.80	176,014.51	180,101.23	207,833.71	176,785.84	199,224.11	190,782.07	285,883.64	332,820.41	542,781.02
Special Contribution as Sponsor for P.W.A. Construction of Schools and Other Projects.....	.....	.....	.....	.....	.....	.....	.....	1,456,020.48	267,107.69	27,752.52
Judgments and Claims.....	268,413.58	305,050.37	129,414.95	135,631.64	172,723.13	155,331.10	79,354.38	86,523.69	71,861.02	84,244.92
Other Interest .....	.....	97,162.38	86,378.63	108,003.22	84,190.66	84,125.61	106,345.79	49,659.11	84,481.92	60,502.11
Contributions to Other Public Authorities.....	.....	.....	.....	.....	250,000.00	.....	.....	.....	.....	263,498.00
Miscellaneous .....	.....	133,012.53	.....	.....	.....	77,923.85	28,747.26	.....	324,464.11	586,664.23
<b>Total Expenditures .....</b>	<b>\$37,686,797.26</b>	<b>\$38,220,495.84</b>	<b>\$35,309,096.99</b>	<b>\$40,030,113.86</b>	<b>\$42,168,072.90</b>	<b>\$44,903,888.13</b>	<b>\$47,493,395.60</b>	<b>\$50,206,782.26</b>	<b>\$48,417,190.43</b>	<b>\$52,134,695.37</b>

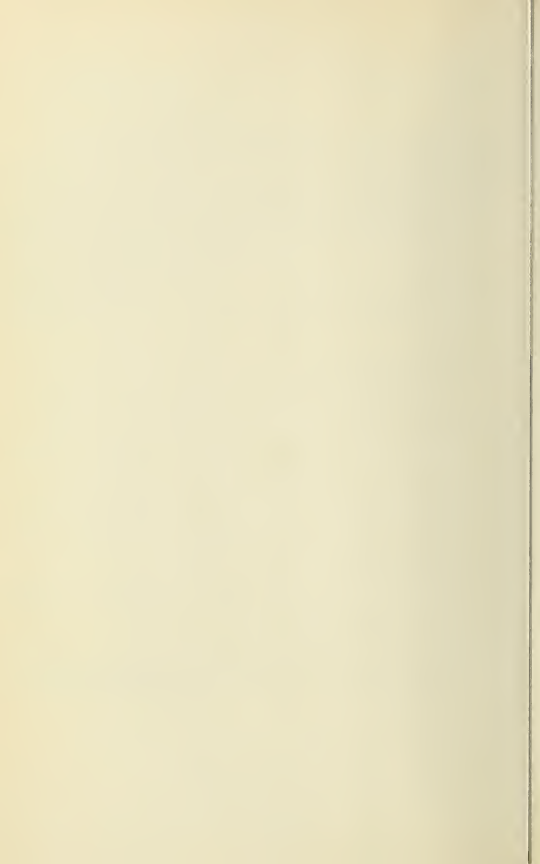




(a) The Relief of Needy and Unemployed for the fiscal year 1933-1934 was financed from the proceeds of the sale of the property of the State of New York. (b) General Administrative expense for the fiscal year 1933-1940 includes the cost of distributing

				1933	1934	1935
General Administration .....				\$47,410.18	\$47,299.31	\$49,540.02
Relief of Needy and Unemployed...				705,711.01	680,016.43	41,653.31 (a)
Poor in Institutions.....				467,347.45	436,564.04	462,748.12
Care of Children.....				859,439.98	862,838.10	783,210.66
Hospitals .....				1,250,240.62	1,323,719.96	1,348,703.73
Insane in Hospitals.....				180,816.08	137,357.68	160,151.42
Relief of Needy Aged.....				299,447.28	347,828.96	386,474.88
Relief of Needy Blind.....				96,619.35	73,705.82	88,741.84
County Jails .....				217,936.93	187,784.58	167,707.48
Juvenile Detention Home.....				27,777.07	29,328.64	26,971.43
Juvenile Probation Board.....				41,897.15	27,816.52	24,102.20
Juvenile Court .....				57,388.47	65,734.01	62,858.43
Burial of Indigent Dead.....				.....	10,469.00	12,128.00
Coordinating Council Expense.....				3,556.75	.....	.....
Miscellaneous .....				\$4,255,588.32	\$4,230,463.05	\$3,614,992.12
Total .....				\$4,255,588.32	\$4,230,463.05	\$3,614,992.12





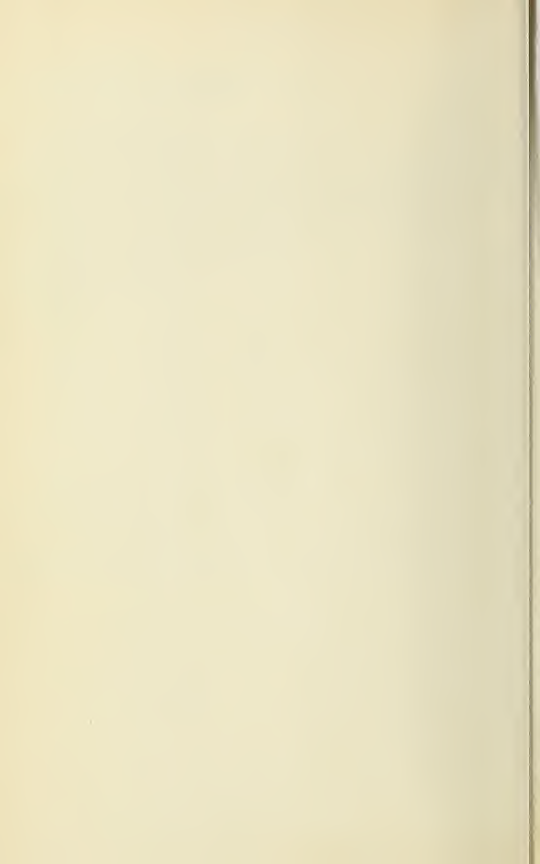
## CITY AND COUNTY OF SAN FRANCISCO

## STATEMENT OF REVENUES

For the Period from July 1, 1931 to June 30, 1941

FISCAL YEAR ENDED JUNE 30

	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
Property Taxes .....	\$32,955,489.20	\$31,719,146.96	\$26,504,776.78	\$28,929,947.58	\$30,707,927.50	\$30,984,977.59	\$32,076,925.63	\$33,351,698.37	\$32,596,944.65	\$35,054,385.00
Other Taxes and Licenses.....	1,236,721.50	1,289,747.46	1,400,609.40	1,340,096.64	965,618.76	781,941.51	763,362.59	796,056.88	1,254,285.83	1,021,319.98
Court Fines .....	111,930.52	95,224.67	110,256.76	88,475.04	140,172.29	156,579.25	186,124.83	164,094.51	265,138.73	539,899.57
	\$34,304,141.22	\$33,104,119.09	\$28,015,642.94	\$30,358,519.26	\$31,813,718.55	\$31,923,498.35	\$33,026,413.05	\$34,311,849.76	\$34,116,369.21	\$36,615,604.55
Departmental Revenues .....	\$ 1,251,999.37	\$ 1,184,109.68	\$ 1,233,071.41	\$ 1,263,844.36	\$ 1,261,442.05	\$ 1,645,310.21	\$ 1,683,044.24	\$ 1,764,644.89	\$ 1,841,644.93	\$ 2,009,331.91
Interest Earned .....	236,558.86	276,483.03	229,892.22	126,640.71	76,231.27	81,265.43	37,459.97	34,384.56	33,631.35	22,994.70
Rents .....	11,378.11	10,325.23	11,722.36	13,346.30	14,232.63	23,526.32	18,743.31	18,032.80	17,235.11	18,191.65
Contributions from Water Department.....		808,000.00	901,410.00	1,374,941.00	1,255,477.00	1,407,984.00	1,734,330.10	990,826.00	902,898.00	454,425.00
Cash Transferred from Capital Funds.....					556,622.23	490,901.63	634,985.54	270,296.58	93,229.55	308,905.34
Fire Damage Recovered.....				247,589.90						
Miscellaneous .....			241,888.08	232,787.26	78,369.13			148,484.73		
	\$ 1,499,936.34	\$ 2,278,917.94	\$ 2,617,184.07	\$ 3,259,149.53	\$ 3,242,374.31	\$ 3,648,987.59	\$ 4,108,563.16	\$ 3,226,669.56	\$ 2,891,638.94	\$ 2,813,848.60
Federal Grants on P.W.A.....					\$ 184,130.55	\$ 353,922.89	\$ 104,639.37	\$ 7,451.01		
Revenues Through State of California:										
Pro-rated State Taxes:										
Motor Vehicle Fuel Tax.....	\$ 772,781.22	\$ 832,567.60	\$ 806,898.99	\$ 799,025.50	\$ 895,422.48	\$ 934,812.56	\$ 993,268.19	\$ 985,337.28	\$ 1,052,426.21	\$ 1,102,459.15
Motor Vehicle Registration Fees.....	249,657.42	211,223.19	178,479.13	205,819.84	214,837.32	261,506.53	260,938.20	256,628.24	256,334.32	298,051.01
Special Gas Tax Street Improvement Fund..					611,715.08	541,548.62	577,393.60	577,224.05	617,913.54	542,037.24
State Motor Vehicle License Fees.....					420,441.46	532,593.77	529,657.84	535,608.92	805,986.70	1,063,084.25
Alcohol Beverage License Subsidy.....					149,229.27	558,548.10	843,107.01	499,415.40	558,489.06	585,240.45
State Candidates' Filing Fees.....								3,405.38		2,028.27
Motor Bus and Truck Tax.....	39,680.53	29,017.22	24,800.39	19,653.74	512.58					
State and Federal Grants-In-Aid:										
Maintenance of Minors.....	141,083.88	147,458.04	136,888.74	139,474.15	143,741.28	181,945.12	209,727.45	233,673.79	331,575.80	366,896.56
Widows' Pensions .....	97,755.00	109,025.63	116,065.24	120,038.93	128,497.98	167,530.74	193,215.09	212,143.20	269,887.30	295,037.59
Aid to Needy Blind.....	33,708.84	36,936.75	43,771.92	49,780.48	52,468.60	94,749.64	135,265.14	173,426.66	205,362.08	230,138.87
Aid to Needy Aged.....	163,978.25	173,878.06	191,118.63	217,726.81	494,237.83	1,404,969.11	2,110,338.30	3,067,077.03	3,252,953.69	3,965,747.90
Tuberculosis Aid Subsidy.....	56,608.08	59,715.95	64,664.31	61,853.57	77,565.50	84,488.93	90,355.33	90,698.72	91,306.64	92,568.04
State Aid for Elementary Schools.....	1,408,569.27	1,430,151.06	2,923,449.60	2,943,663.33	2,648,469.05	2,558,336.99	2,504,015.25	2,406,111.39	2,431,922.01	2,249,535.25
State Aid for High Schools.....	537,031.72	574,291.20	1,970,485.80	2,097,235.94	1,925,058.81	2,068,248.47	2,132,802.14	2,215,139.06	2,312,591.57	2,325,057.87
Federal Aid to Schools.....	7,939.00	9,780.84	15,893.46	8,296.22	10,642.44	17,024.18	16,534.32	31,142.16	35,979.19	60,488.54
Fire Boat Subsidy.....	82,000.00	77,572.96	74,444.00	83,320.41	78,772.22	84,260.84	83,361.35	83,091.03	69,796.91	99,557.68
	\$ 3,590,793.21	\$ 3,691,618.50	\$ 6,545,470.21	\$ 6,745,888.92	\$ 7,851,611.90	\$ 9,490,563.60	\$10,679,979.21	\$11,370,122.31	\$12,292,525.02	\$13,277,928.67
Total Revenues .....	\$39,394,870.77	\$39,074,655.53	\$37,178,497.22	\$40,363,557.71	\$43,091,835.31	\$45,416,972.43	\$47,919,594.79	\$48,916,092.64	\$49,300,533.17	\$52,707,381.82



CITY AND COUNTY OF SAN FRANCISCO  
**ADDITIONS TO PROPERTIES**  
 For the Period from July 1, 1931 to June 30, 1941

	INCREASE OR DECREASE*				BALANCES JUNE 30, 1941				BALANCES JULY 1, 1931			
	Total	Land	Buildings Structures and Improvements	Equipment	Total	Land	Buildings Structures and Improvements	Equipment	Total	Land	Buildings Structures and Improvements	Equipment
Government:												
City Center, including City Hall.....	\$ 633,415.76	.....	\$ 36,867.80	\$ 596,547.96	\$ 8,880,207.38	\$ 2,235,954.63	\$ 4,095,608.50	\$ 2,548,644.25	\$ 8,246,791.62	\$ 2,235,954.63	\$ 4,058,740.70	\$ 1,952,096.29
Public Safety:												
Police Department .....	2,615,864.60	\$ 761.20	2,161,769.18	453,334.22	12,389,774.46	627,097.23	8,722,206.95	3,040,470.28	9,773,909.86	626,336.03	6,560,437.77	2,587,136.06
Police Stations and Hall of Justice.....	382,313.13	400.10	113,262.11	269,451.12	3,420,949.55	758,941.10	1,964,687.62	697,320.83	3,038,636.42	759,341.20	1,851,425.51	427,869.71
Department of Electricity.....	206,785.18	.....	203,424.01	3,361.17	872,374.07	44,000.00	723,953.40	104,420.67	665,588.89	44,000.00	520,529.39	101,059.50
Highways:												
Streets, Tunnels and Bridges.....	14,356,035.79	2,439,161.77	11,875,219.41	41,654.61	62,288,636.44	7,137,171.07	54,982,693.28	168,772.09	47,932,600.65	4,698,009.30	43,107,473.87	127,117.48
Sanitation:												
Streets and Sewage Plants.....	5,169,147.83	23,168.44	5,100,039.44	45,939.95	21,565,174.07	84,643.40	21,393,979.03	86,551.64	16,396,026.24	61,474.96	16,293,939.59	40,611.69
Street Cleaning Department.....	83,381.71	.....	.....	83,381.71	301,159.98	.....	.....	301,159.98	217,778.27	.....	.....	217,778.27
Garbage Incinerator .....	23,000.00	.....	23,000.00	.....	130,142.60	65,000.00	65,142.60	.....	153,142.60	65,000.00	88,142.60	.....
Health Conservation:												
Gender Health Home.....	858,962.40	.....	799,801.20	59,161.20	1,237,289.01	29,442.00	1,110,062.76	97,784.25	378,326.61	29,442.00	310,261.56	38,623.05
City Center Health Building.....	1,137,623.49	158,588.49	899,445.72	79,589.28	1,137,623.49	158,588.49	899,445.72	79,589.28	.....	.....	.....	.....
Senior Health Center.....	85,386.04	14,637.50	66,618.18	4,130.36	85,386.04	14,637.50	66,618.18	4,130.36	.....	.....	.....	.....
City Health Department Properties.....	96,285.91	102,458.41	4,968.80	1,203.70	286,985.62	145,940.00	14,268.80	126,776.82	383,271.53	248,398.41	9,300.00	125,573.12
Hospitals:												
San Francisco Hospital.....	784,350.50	341,157.60	887,070.83	238,437.27	5,166,665.11	366,525.00	4,085,427.63	714,712.48	4,382,314.61	707,682.60	3,198,356.80	476,275.21
Chiropractic Hospital .....	1,211,348.97	328,031.97	841,295.65	42,021.35	1,211,348.97	328,031.97	841,295.65	42,021.35	.....	.....	.....	.....
Emergency Hospitals .....	222,648.59	70,104.00	183,577.77	31,033.18	237,788.53	10,999.70	82,969.15	143,819.68	460,437.12	81,103.70	266,546.92	112,786.50
Charities:												
Lucina Honda Home.....	2,045,133.33	.....	1,899,725.49	145,407.84	5,033,096.00	30,000.00	4,440,271.78	562,824.22	2,987,962.67	30,000.00	2,540,546.29	417,416.38
Welfare Building .....	2,068.47	.....	.....	2,068.47	2,068.47	.....	.....	2,068.47	.....	.....	.....	.....
Corrections:												
County Jail .....	859,794.11	46,906.52	800,255.01	12,632.58	859,794.11	46,906.52	800,255.01	12,632.58	.....	.....	.....	.....
Juvenile Detention .....	4,489.43	.....	.....	4,489.43	208,653.78	10,310.00	174,079.41	24,264.37	204,164.35	10,310.00	174,079.41	19,774.94
Schools:												
.....	12,830,529.73	7,051.95	11,370,736.09	1,466,845.59	51,148,723.89	9,745,923.33	37,592,899.72	3,809,900.84	38,318,194.16	9,752,975.28	26,222,163.63	2,343,055.25
Libraries .....	290,024.67	.....	111,152.22	178,872.45	3,464,099.25	392,710.00	1,297,202.13	1,774,187.12	3,174,074.58	392,710.00	1,186,049.91	1,595,314.67
Recreation—Scientific, Cultural:												
Museums and Art Galleries.....	400,003.88	.....	311,541.35	88,462.53	1,281,177.63	.....	1,077,535.62	203,642.01	881,173.75	.....	765,994.27	115,179.48
Opera House and War Memorial.....	4,942,167.99	.....	4,789,521.96	152,646.03	5,405,355.19	463,187.20	4,789,521.96	152,646.03	463,187.20	463,187.20	.....	.....
Recreation—Parks and Playgrounds:												
Parks and Squares.....	2,731,499.71	383,123.79	2,319,615.43	28,760.49	24,987,998.59	19,844,332.18	4,801,308.42	342,357.99	22,256,498.88	19,461,208.39	2,481,692.99	313,597.50
Swimming Pool and Playgrounds.....	1,724,294.15	1,013,681.56	637,294.50	73,318.09	5,331,764.92	3,080,918.22	2,090,647.54	160,199.16	3,607,470.77	2,067,236.66	1,453,353.04	86,881.07
Golf Links .....	41,231.95	.....	41,231.95	.....	393,089.88	.....	393,089.88	.....	351,857.93	.....	351,857.93	.....
Stadium .....	659.62	4,742.00	5,401.62	.....	784,116.55	97,008.80	687,107.75	.....	783,456.93	101,750.80	681,706.13	.....
Auditorium .....	43,561.30	.....	40,373.47	3,187.83	2,296,476.78	701,437.00	1,526,712.98	68,326.80	2,252,915.48	701,437.00	1,486,339.51	65,138.97
Central Warehouse .....	102,975.66	.....	94,494.21	8,481.45	149,222.78	46,247.12	94,494.21	8,481.45	46,247.12	46,247.12	.....	.....
Miscellaneous .....	428.24	7,473.32	5,374.66	1,670.42	512,504.11	336,470.81	125,618.19	50,415.11	512,932.35	343,944.13	120,243.53	48,744.69
Total Additions .....	\$53,200,686.66	\$3,874,673.86	\$45,209,922.52	\$4,116,090.28	\$221,069,647.25	\$46,802,423.27	\$158,939,103.87	\$15,328,120.11	\$167,868,960.59	\$42,927,749.41	\$113,729,181.35	\$11,212,029.83

\*Italic figures denote decrease.





1, 1931 to June 30, 1941

County of San Francisco, and does not include any federal funds.



	1932	1933	1934	1935	1936	1937	1938	1939
Water Sales .....	\$6,548,800.39	\$6,337,803.94	\$6,854,289.53	\$6,614,625.65	\$6,521,561.22	\$6,826,914.88	\$6,863,210.74	\$7,023,540.19
Operating Expenses:								
Depreciation .....	60,000.00	625,000.00	625,000.00	625,000.00	670,000.00	745,766.00	\$19,808.24	\$19,808.24
Other .....	2,577,211.63	1,833,670.93	2,278,292.48	2,289,320.92	1,914,881.55	1,936,348.34	1,997,838.90	2,198,118.55
Profit from Operations .....	\$2,637,211.63	\$2,458,670.93	\$2,903,292.48	\$2,924,320.92	\$2,584,881.55	\$2,682,114.34	\$2,817,647.14	\$3,017,926.88
Interest on Bonded Debt .....	\$1,755,000.00	\$1,710,000.00	\$1,665,000.00	\$1,625,421.12	\$1,628,546.58	\$1,643,637.42	\$1,678,143.91	\$1,786,943.75
Other .....	32,714.46	487,196.65	84,166.19	81,347.45	42,117.39	33,125.42	31,818.45	46,030.00
Less Other Income .....	\$1,787,714.46	\$2,197,196.65	\$1,749,166.19	\$1,706,768.57	\$1,670,663.97	\$1,676,762.84	\$1,709,962.36	\$1,832,974.74
	97,156.35	142,372.19	124,207.02	123,364.79	90,447.14	117,354.89	90,954.21	121,688.88
	\$1,690,558.11	\$2,054,824.46	\$1,624,959.17	\$1,583,403.78	\$1,580,216.83	\$1,559,407.95	\$1,619,008.15	\$1,711,285.55
Net Income .....	\$2,221,030.65	\$1,824,308.55	\$2,326,637.88	\$2,106,900.95	\$2,356,462.84	\$2,585,392.59	\$2,426,555.45	\$2,294,327.27



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CITY AND COUNTY OF SAN FRANCISCO  
 HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
 STATEMENT OF OPERATIONS  
 For the Period from July 1, 1931 to June 30, 1941

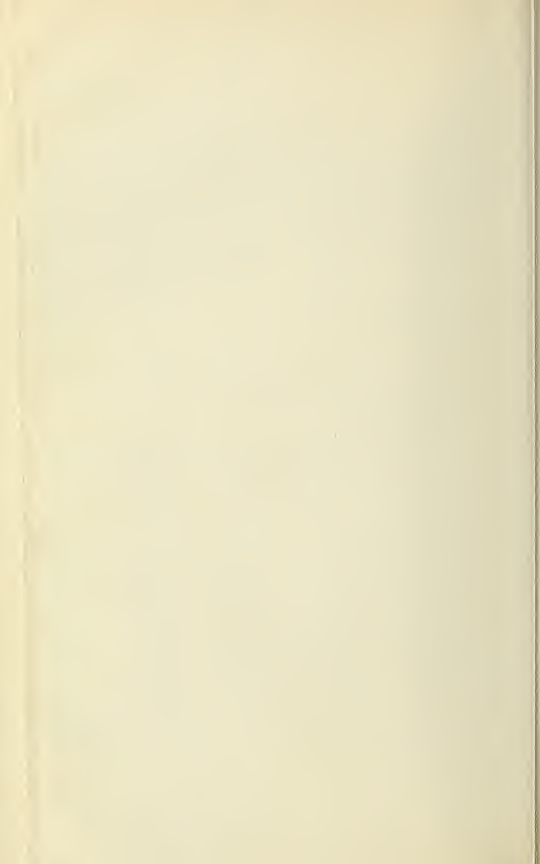
	1937	1936	1935	1934	1933	1932
Power Sales .....	\$8,457,596.96	\$8,658,499.29	\$8,273,295.96	\$8,236,500.01	\$7,601,664.26	\$5,454,763.62
Less P. G. & E. Distributing Commission .....	6,153,343.84	6,292,445.51	5,968,970.57	5,938,825.74	5,429,665.77	3,830,218.76
Net Power Sales .....	\$2,304,253.12	\$2,366,053.78	\$2,304,325.39	\$2,297,674.27	\$2,171,998.49	\$1,624,544.86
Standby Charge and Sale of Water to S. F. Water Department .....					\$2,171,998.49	\$2,171,998.49
						\$1,624,544.86
Operating Expenses:						
Depreciation .....	\$319,268.90	\$304,470.44	\$274,237.03	\$252,977.17	\$276,068.18	\$280,931.38
Other .....	\$494,268.90	\$479,470.44	\$449,237.03	\$428,977.17	\$331,973.14	\$447,148.98
Profit from Operations .....	\$1,175,000.00	\$1,175,000.00	\$1,175,000.00	\$1,175,000.00	\$55,904.96	\$166,217.60
Other Expenses:						
Interest on Bonded Debt .....	\$319,268.90	\$304,470.44	\$274,237.03	\$252,977.17	\$276,068.18	\$280,931.38
Other .....	\$494,268.90	\$479,470.44	\$449,237.03	\$428,977.17	\$331,973.14	\$447,148.98
Less Other Income .....	\$3,085,694.44	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34
Other Expenses, Net .....	\$3,085,694.44	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34	\$3,126,479.34
Net Income or Loss .....	\$3,085,694.44	\$3,085,694.44	\$3,085,694.44	\$3,085,694.44	\$3,085,694.44	\$3,085,694.44

Prior to July 1, 1935, the Hetch Hetchy Water Supply was in the course of construction.



For the Period from July 1, 1932 to June 30, 1933

	1932	1933	1934	1935	1936	1937	1938	1939
Passenger Revenues .....	\$3,189,354.94	\$2,820,600.08	\$2,843,792.45	\$3,031,422.89	\$3,072,607.92	\$3,164,052.07	\$3,472,879.98	\$4,143.5
Operating Expenses:								
Depreciation .....	285,893.02	286,994.49	287,000.59	287,052.00	278,543.66	272,643.12	3,036,710.84	3,338.
Other .....	3,062,354.05	2,794,030.37	2,544,499.18	2,193,252.77	2,767,028.30	2,808,834.73	3,379,991.57	3,683.
Profit or Loss from Operations..	\$3,348,247.07	\$3,081,024.86	\$2,831,499.77	\$3,022,712.81	\$3,045,571.96	\$3,081,477.85	\$3,379,991.57	\$3,683.
Other Expenses:								
Interest on Bonded Debt.....	\$120,718.33	\$111,173.33	\$101,628.34	\$92,087.73	\$87,083.33	\$82,083.34	\$77,083.33	\$77,083.33
Other .....								
Less Other Income.....	\$120,718.33	\$111,173.33	\$101,629.09	\$93,133.80	\$90,750.59	\$83,323.93	\$78,356.78	\$8,929.15
Net Income or Loss.....	\$260,623.26	\$351,446.47	\$68,516.65	\$67,970.71	\$83,622.91	\$75,488.15	\$68,154.18	\$24,734.23



CITY AND COUNTY OF SAN FRANCISCO  
 SAN FRANCISCO AIRPORT, MILL S FIELD  
 STATEMENT OF OPERATIONS  
 For the Period from July 1, 1931 to June 30, 1941

FISCAL YEAR ENDED JUNE 30

	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941
Revenues:										
Rentals .....	\$11,796.58	\$ 8,760.17	\$10,220.22	\$ 9,945.82	\$10,161.81	\$10,499.82	\$ 13,002.97	\$ 13,354.78	\$ 25,641.02	\$ 25,979.04
Passenger and Handling..	.....	810.25	7,936.70	10,903.60	13,022.60	14,367.70	44,562.40	30,365.12	38,008.75	44,122.00
Other Revenues .....	2,979.15	3,226.22	6,110.78	5,669.38	11,915.15	8,812.29	7,072.17	7,565.32	3,430.91	4,268.69
	\$14,775.73	\$12,796.64	\$24,267.70	\$26,518.80	\$35,099.56	\$33,679.81	\$ 64,637.54	\$ 51,285.22	\$ 67,080.68	\$ 74,369.73
Operating Expenses:										
Depreciation .....	.....	\$ 9,600.00	\$ 9,600.00	\$ 9,600.00	\$ 9,600.00	\$ 9,600.00	\$ 24,000.00	\$ 64,354.30	\$ 60,350.68	\$ 59,970.37
Other .....	\$63,092.58	36,823.30	47,104.21	52,526.50	57,267.06	64,716.18	76,049.30	76,919.49	78,585.54	87,312.52
	\$63,092.58	\$46,423.30	\$56,704.21	\$62,126.50	\$66,867.06	\$74,316.18	\$100,049.30	\$141,273.79	\$138,936.22	\$147,282.89
Loss from Operations.....	\$48,316.85	\$33,626.66	\$32,436.51	\$35,607.70	\$31,767.50	\$40,636.37	\$ 35,411.76	\$ 89,988.57	\$ 71,855.54	\$ 72,913.16
Other Expenses:										
Interest on Bonded Debt...	.....	.....	.....	.....	\$ 3,024.58	\$ 5,026.67	\$ 2,946.66	\$ 866.67	.....	.....
Net Loss .....	\$48,316.85	\$33,626.66	\$32,436.51	\$35,607.70	\$34,792.08	\$45,663.04	\$ 38,358.42	\$ 90,855.24	\$ 71,855.54	\$ 72,913.16



ASSESSMENT ROLLS  
Fiscal Years 1919-1920 to 1941-1942

CITY AND COUNTY OF SAN FRANCISCO (a)		ASSESSMENT ROLLS		Fiscal Years 1919-1920 to 1941-1942	
1919-20	\$297,744.425	Real Estate	Improvements	Tangible Personal Property	Less Exemptions
1920-21	298,146.865				
1921-22	297,625.295				
1922-23	296,998.570				
1923-24	303,170.530				
1924-25	309,976.590				
1925-26	328,345.480				
1926-27	338,373.870				
1927-28	340,908.020				
1928-29	347,893.591				
1929-30	349,457,070				
1930-31	346,787,760				
1931-32	344,350,099				
1932-33	341,570,705				
1933-34	335,496,235				
1934-35	333,115,690				
1935-36	324,713,626				
1936-37	325,377,202				
1937-38	324,662,756				
1938-39	322,417,683				
1939-40	322,469,139				
1940-41	316,741,620				
1941-42	316,032,710				

[illegible]





# CITY AND COUNTY OF SAN FRANCISCO DETAIL OF TAX RATES Fiscal Years 1929-30 to 1941-42

	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
General Fund—Charter Limit \$1.65.	1.013739	1.037954	1.084104	1.1439628	1.606582	1.523520	1.305168	1.3
General Fund—Other Necessary Expenditures	.824330	.798185	.850640	.340466			.467638	.424391
Not Limited								
United School District	.833823	.912432	.846772	.377301	.333527		.120937	
Common School	.254500	.234845	.052811	.045045	.066950	.068826	.079384	
Special School Tax	.070000	.070000	.054616	.100000	.070000		.109072	
Recreation	.100000	.100000	.100000	.043203	.038537	.049217	.050215	
Park	.043223	.047721	.068515	.181972	.188637	.205129	.195405	
Library	.066108	.666145	.686330	.805466	.903356	.968989	.793233	
Employees' Retirement	.614482	.012654	.009687	.009071	.008113	.008452	.007553	
Bond Interest and Redemption	.008498	.012654	.009687	.008380	.008031	.009318	.008584	
de Young Museum	.008498	.012654	.009687	.008380	.008031	.009318	.008584	
California Palace of the Legion of Honor							.008802	
War Memorial		.019381	.029125	.027883	.028128	.020417	.021566	
Publicity and Advertising	.030603	.030495	.031361	.034145	.010967	.013564	.011405	
Tax Judgments								
Special Tax Levied Pursuant to Sec. 4056b.								
Pol. Code	.054985	.054846	.070060	.008116				
Firemen's Relief	.002064	.008000	.008116					
Blind Pensions Fund	.008219	.018209	.031183					
Needy Aged Fund	.030000	.020000					.003193	
Golden Gate Bridge & Highway District							.003676	
Special Election Fund								.0201
Interest on Tax Anticipation Notes								
*Heat, Light and Power								
Airport								
Hetch Hetchy Water Supply								
Total Levy	3.94	4.04	4.04	3.96	3.48	3.863622	3.6819	

\*Included in General Fund in prior years.



CITY AND COUNTY OF SAN FRANCISCO  
ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS  
Based Upon Bonded Indebtedness as at June 30, 1941

F. AL Y AR	GRAND TOTAL	GENERAL CITY			PUBLIC SERVICE ENTERPRISES		
		Total	Bond Redemption	Bond Interest	Total	Bond Redemption	Bond Interest
1941-1942	*\$ 14,128,840.50	\$ 5,458,700.50	\$ 3,707,100.00	\$ 1,751,600.50	\$ 8,670,140.00	\$ 4,173,000.00	*\$ 4,497,140.00
1942-1943	13,622,879.50	5,133,117.00	3,532,100.00	1,601,017.00	8,489,762.50	4,173,000.00	4,316,762.50
1943-1944	13,299,793.50	4,990,408.50	3,532,100.00	1,458,308.50	8,309,385.00	4,173,000.00	4,136,385.00
1944-1945	12,601,607.50	4,472,600.00	3,157,000.00	1,315,600.00	8,129,007.50	4,173,000.00	3,956,007.50
1945-1946	12,289,967.50	4,341,337.50	3,157,000.00	1,184,337.50	7,948,630.00	4,173,000.00	3,775,630.00
1946-1947	11,979,442.50	4,210,505.00	3,157,000.00	1,053,505.00	7,768,937.50	4,173,000.00	3,595,937.50
1947-1948	11,565,400.00	3,976,155.00	3,053,000.00	923,155.00	7,589,245.00	4,173,000.00	3,416,245.00
1948-1949	10,573,917.50	3,164,365.00	2,355,000.00	809,365.00	7,409,552.50	4,173,000.00	3,236,552.50
1949-1950	9,731,817.50	2,786,957.50	2,075,000.00	711,957.50	6,944,860.00	3,888,000.00	3,056,860.00
1950-1951	9,460,880.00	2,690,857.50	2,074,000.00	616,857.50	6,770,022.50	3,888,000.00	2,882,022.50
1951-1952	9,190,962.50	2,595,777.50	2,074,000.00	521,777.50	6,595,185.00	3,888,000.00	2,707,185.00
1952-1953	8,148,737.50	1,728,325.00	1,285,000.00	443,325.00	6,420,412.50	3,888,000.00	2,532,412.50
1953-1954	7,636,010.00	1,493,750.00	1,110,000.00	383,750.00	6,142,260.00	3,782,000.00	2,360,260.00
1954-1955	6,598,917.50	1,343,550.00	1,010,000.00	333,550.00	5,255,367.50	3,050,000.00	2,205,367.50
1955-1956	6,212,465.00	1,097,350.00	810,000.00	287,350.00	5,115,115.00	3,050,000.00	2,065,115.00
1956-1957	5,906,262.50	931,400.00	680,000.00	251,400.00	4,974,862.50	3,050,000.00	1,924,862.50
1957-1958	5,733,310.00	898,700.00	680,000.00	218,700.00	4,834,610.00	3,050,000.00	1,784,610.00
1958-1959	5,560,360.00	866,000.00	680,000.00	186,000.00	4,694,360.00	3,050,000.00	1,644,360.00
1959-1960	5,387,410.00	833,300.00	680,000.00	153,300.00	4,554,110.00	3,050,000.00	1,504,110.00
1960-1961	5,114,460.00	700,600.00	580,000.00	120,600.00	4,413,860.00	3,050,000.00	1,363,860.00
1961-1962	4,751,010.00	477,400.00	380,000.00	97,400.00	4,273,610.00	3,050,000.00	1,223,610.00
1962-1963	4,592,560.00	459,200.00	380,000.00	79,200.00	4,133,360.00	3,050,000.00	1,083,360.00
1963-1964	4,419,410.00	426,300.00	365,000.00	61,300.00	3,993,110.00	3,050,000.00	943,110.00
1964-1965	4,198,377.50	345,000.00	300,000.00	45,000.00	3,853,377.50	3,050,000.00	803,377.50
1965-1966	3,066,895.00	330,000.00	300,000.00	30,000.00	2,736,895.00	2,050,000.00	686,895.00
1966-1967	2,957,912.50	315,000.00	300,000.00	15,000.00	2,642,912.50	2,050,000.00	592,912.50
1967-1968	2,548,930.00	.....	.....	.....	2,548,930.00	2,050,000.00	498,930.00
1968-1969	2,454,947.50	.....	.....	.....	2,454,947.50	2,050,000.00	404,947.50
1969-1970	2,110,965.00	.....	.....	.....	2,110,965.00	1,800,000.00	310,965.00
1970-1971	1,929,482.50	.....	.....	.....	1,929,482.50	1,700,000.00	229,482.50
1971-1972	775,500.00	.....	.....	.....	775,500.00	600,000.00	175,500.00
1972-1973	748,500.00	.....	.....	.....	748,500.00	600,000.00	148,500.00
1973-1974	721,500.00	.....	.....	.....	721,500.00	600,000.00	121,500.00
1974-1975	694,500.00	.....	.....	.....	694,500.00	600,000.00	94,500.00
1975-1976	667,500.00	.....	.....	.....	667,500.00	600,000.00	67,500.00
1976-1977	640,500.00	.....	.....	.....	640,500.00	600,000.00	40,500.00
1977-1978	613,500.00	.....	.....	.....	613,500.00	600,000.00	13,500.00
	\$222,635,431.00	\$56,066,656.00	\$41,413,300.00	\$14,653,356.00	\$166,568,775.00	\$102,168,000.00	\$64,400,775.00

Bonds outstanding (unmatured) June 30, 1941 total \$143,581,300.

There are no bonds authorized and unsold at June 30, 1941.

\*\$51,249.50 of this amount was budgeted in the year 1940-41.



CITY AND COUNTY OF SAN FRANCISCO  
**PROPRIETARY BALANCE SHEET**

June 30, 1941

**ASSETS:**

General City and County

**LIABILITIES:**

General City and County

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Trust and Assessment Accounts
<b>Fixed capital:</b>						
Properties, details annexed.....	\$419,999,856.47	\$198,566,298.65	\$221,433,557.82	.....	\$221,433,557.82	.....
Less, allowance for depreciation...	40,914,647.33	40,914,647.33	.....	.....	.....	.....
	<u>\$379,085,209.14</u>	<u>\$157,651,651.32</u>	<u>\$221,433,557.82</u>	.....	<u>\$221,433,557.82</u>	.....
<b>Current assets:</b>						
Deposit with treasurer.....	\$ 20,078,260.71	\$ 8,116,228.10	\$ 11,962,032.61	\$ 9,340,928.11	\$ 980,034.47	\$ 1,641,070.03
Other cash .....	75,530.00	44,680.00	30,850.00	30,850.00	.....	.....
	<u>\$ 20,153,790.71</u>	<u>\$ 8,160,908.10</u>	<u>\$ 11,992,882.61</u>	<u>\$ 9,371,778.11</u>	<u>\$ 980,034.47</u>	<u>\$ 1,641,070.03</u>
<b>Accounts receivable:</b>						
Taxes receivable, less allowance for uncollectible taxes .....	\$ 686,605.39	.....	686,605.39	686,605.39	.....	.....
City of Palo Alto (pipe line contract).....	163,657.46	\$ 163,657.46	.....	.....	.....	.....
Revenues accrued and other receivables, less allowance for uncollectible items .....	2,909,484.95	732,685.48	\$ 2,176,799.47	\$ 1,736,528.47	.....	\$ 440,271.00
	<u>\$ 3,759,747.80</u>	<u>\$ 896,342.94</u>	<u>\$ 2,863,404.86</u>	<u>\$ 2,423,133.86</u>	.....	<u>\$ 440,271.00</u>
<b>Investment securities (details on page 70 .....</b>	<u>\$ 28,737,270.55</u>	.....	<u>\$ 28,737,270.55</u>	.....	.....	<u>\$28,737,270.55</u>
<b>Interfund accounts (contra).....</b>	<u>\$ 1,092,724.26</u>	<u>\$ 337,224.89</u>	<u>\$ 755,499.37</u>	<u>\$ 735,324.47</u>	.....	<u>\$ 20,174.90</u>
<b>Deferred charges:</b>						
Relief expenditures financed by long-term loans .....	\$ 4,750,249.10	.....	\$ 4,750,249.10	\$ 4,750,249.10	.....	.....
Commitments (contra) .....	6,983,456.33	.....	6,983,456.33	6,983,456.33	.....	.....
Materials and supplies.....	1,200,135.74	847,878.95	352,256.79	352,256.79	.....	.....
Other deferred charges.....	425,819.13	413,069.13	12,750.00	12,750.00	.....	.....
	<u>\$ 13,359,660.30</u>	<u>\$ 1,260,948.08</u>	<u>\$ 12,098,712.22</u>	<u>\$12,098,712.22</u>	.....	.....
	<u>\$446,188,402.76</u>	<u>\$168,307,075.33</u>	<u>\$277,881,327.43</u>	<u>\$24,628,948.66</u>	<u>\$222,413,592.29</u>	<u>\$30,838,786.48</u>

**Bonded debt, details annexed:**

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Trust and Assessment Accounts
Due July 1, 1941.....	\$ 3,300,000.00	\$ 2,600,000.00	\$ 700,000.00	\$ 700,000.00	.....	.....
Due subsequently .....	140,281,300.00	99,568,000.00	40,713,300.00	3,790,000.00	\$ 36,923,300.00	.....
Matured, unpaid .....	407,800.00	66,800.00	341,000.00	341,000.00	.....	.....
	<u>\$143,989,100.00</u>	<u>\$102,234,800.00</u>	<u>\$ 41,754,300.00</u>	<u>\$ 4,831,000.00</u>	<u>\$ 36,923,300.00</u>	.....

**Bond interest:**

Due July 1, 1941.....	\$ 2,275,436.25	\$ 1,909,970.00	\$ 365,466.25	\$ 365,466.25	.....	.....
Accrued, not due.....	345,418.79	62,746.65	282,672.14	282,672.14	.....	.....
Matured, unpaid .....	484,319.00	258,667.50	225,651.50	225,651.50	.....	.....
	<u>\$ 3,105,174.04</u>	<u>\$ 2,231,384.15</u>	<u>\$ 873,789.89</u>	<u>\$ 873,789.89</u>	.....	.....

**Accounts and notes payable:**

Contracts, purchase orders, etc....	\$ 2,893,073.00	\$ 1,415,968.60	\$ 1,477,104.40	\$ 1,406,419.20	\$ 14,698.04	\$ 65,987.16
Relief loans from State of California .....	960,249.10	.....	960,249.10	960,249.10	.....	.....
Accrued interest thereon.....	127,012.84	.....	127,012.84	127,012.84	.....	.....
Warrants outstanding .....	1,698,308.38	332,869.04	1,365,439.34	995,002.59	546.31	369,890.44
Commitments (contra) .....	6,983,456.33	.....	6,983,456.33	6,983,456.33	.....	.....
Hetch Hetchy rent (due July 1, 1941) .....	30,000.00	30,000.00	.....	.....	.....	.....
	<u>\$ 12,692,099.65</u>	<u>\$ 1,778,837.64</u>	<u>\$ 10,913,262.01</u>	<u>\$10,472,140.06</u>	<u>\$ 15,244.35</u>	<u>\$ 425,877.60</u>

Trust and assessment funds.....	\$ 30,405,480.41	.....	\$ 30,405,480.41	.....	.....	\$30,405,480.41
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Interfund accounts (contra).....	\$ 1,092,724.26	\$ 862,014.03	\$ 230,710.23	\$ 223,281.76	.....	\$ 7,428.47
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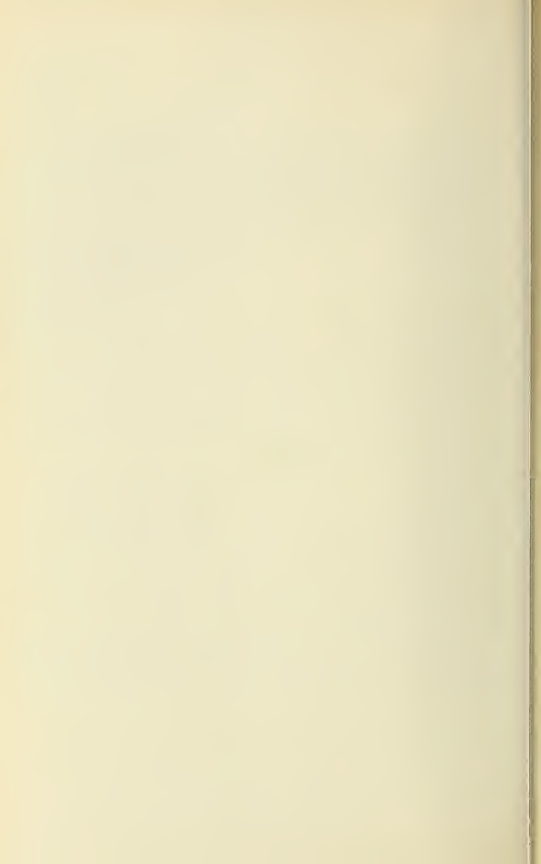
**Deferred credits:**

Taxes collected for year 1941-42..	\$ 1,582,063.72	.....	\$ 1,582,063.72	\$ 1,582,063.72	.....	.....
Other deferred credits and reserves	1,119,503.90	905,294.76	214,209.14	214,209.14	.....	.....
	<u>\$ 2,701,567.62</u>	<u>\$ 905,294.76</u>	<u>\$ 1,796,272.86</u>	<u>\$ 1,796,272.86</u>	.....	.....

**SURPLUS:**

Detailed statements annexed.....	\$252,202,256.78	\$ 60,294,744.75	\$191,907,512.03	\$ 6,432,464.09	\$185,475,047.94	.....
	<u>\$446,188,402.76</u>	<u>\$168,307,075.33</u>	<u>\$277,881,327.43</u>	<u>\$24,628,948.66</u>	<u>\$222,413,592.29</u>	<u>\$30,838,786.48</u>

NOTE: Public Service Enterprises assets and liabilities are detailed on page 66 of this report.



CITY AND COUNTY OF SAN FRANCISCO  
 AMOUNTS OF TAX LEVIES AND DELINQUENCIES  
 Fiscal Years 1930-31 to 1940-41

Fiscal Year	Amount of Levy	Uncollected at June 30 Amount	%	Uncollected June 30, 1941 Amount	%
1930-1931 .....	\$33,177,550.65	\$ 544,801	1.64	\$ 46,020.19*	.14
1931-1932 .....	32,714,463.72	718,830	2.20	28,816.02	.09
1932-1933 .....	31,752,725.86	1,706,581	5.37	257,188.82	.81
1933-1934 .....	26,583,269.62	1,316,809	4.95	194,971.97	.73
1934-1935 .....	28,808,182.68	958,096	3.33	64,077.65	.22
1935-1936 .....	30,634,662.45	612,784	2.00	60,817.21	.20
1936-1937 .....	30,986,643.33	449,704	1.45	65,661.02	.21
1937-1938 .....	31,994,074.61	483,081	1.50	89,469.06	.28
1938-1939 .....	33,337,811.68	442,132	1.32	110,771.17	.33
1939-1940 .....	32,575,922.01	390,407	1.19	158,062.82	.49
1940-1941 .....	35,162,784.71	367,339	1.04	367,339.27	1.04

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\*Includes delinquent taxes for fiscal year 1930-1931 and those of prior years.

CITY AND COUNTY OF SAN FRANCISCO  
 BASIS OF TAX LEVY

Fiscal Years 1931-32 to 1941-42, Inclusive

Fiscal Year	Basis of Levy
1931-1932 .....	\$724,886,540
1932-1933 .....	721,252,343
1933-1934 .....	694,815,772
1934-1935 .....	680,141,288
1935-1936 .....	766,223,292
1936-1937 .....	754,537,115
1937-1938 .....	757,155,862
1938-1939 .....	756,115,751
1939-1940 .....	756,757,617
1940-1941 .....	750,308,102
1941-1942 .....	747,749,161



*CITY AND COUNTY OF SAN FRANCISCO*  
*PERCENTAGES OF TAX DELINQUENCY*

%	FOR FISCAL YEAR ENDING										%
	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	
5		5.4									5
4			4.9								4
3				3.3							3
2	2.2				2.0						2
1						1.5		1.3	1.2	1.0	1

CITY AND COUNTY OF SAN FRANCISCO  
TAX YIELD  
Fiscal Year 1941-1942

	Valuation	Tax Yield	Rate Per \$100
<b>TAXES ON PROPERTY ASSESSED BY CITY AND COUNTY:</b>			
<i>Real Estate, Improvements and Secured Personal Property:</i>			
Real Estate and Improvements.....	\$ 658,771,955	\$28,645,673.98	
Tangible Personal Property.....	6,836,182	299,016.23	
Less Veterans' Exemptions.....	7,177,626	.....	
Net Tangible Value.....	\$ 658,430,511	\$28,944,690.21	\$4.396
Solvent Credits .....	7,095,451	7,096.34	.10
Total .....	\$ 665,525,962	\$28,951,786.55	
<i>Unsecured Personal Property (Collected):</i>			
Tangible Personal Property.....	\$ 42,393,913	\$ 1,820,840.44	\$4.295
Solvent Credits .....	96,638,683	96,644.14	.10
Total .....	\$ 139,032,596	\$ 1,917,484.58	
<i>Unsecured Personal Property (Uncollected):</i>			
Tangible Personal Property.....	\$ 36,252,236	\$ 1,557,970.63	\$4.295
Solvent Credits .....	46,355,086	46,356.09	.10
Total .....	\$ 82,607,322	\$ 1,604,326.72	
Total Assessed by City and County Assessor .....	\$ 887,165,880	\$32,473,597.85	
<b>TAXES ON PROPERTY ASSESSED BY STATE BOARD OF EQUALIZATION</b>			
Real Estate and Improvements.....	\$ 56,484,740	\$ 2,483,069.00	\$4.396
Tangible Personal Property.....	32,908,920	1,446,676.13	4.396
Solvent Credits .....	37,404,630	37,404.63	.10
Total Assessed by State Board of Equalization .....	\$ 126,798,290	\$ 3,967,149.76	
Total of Above Assessments...	\$1,013,964,170		
Total Tax Yield 1941-1942.....		\$36,440,747.61	
Reassessments .....		3,767.20	
Total Tax Yield.....		\$36,444,514.81	

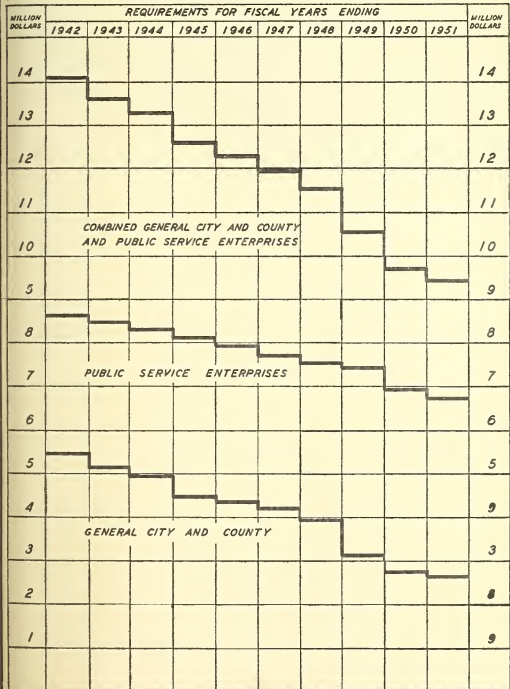
CITY AND COUNTY OF SAN FRANCISCO  
 BONDED DEBT LIMIT  
 At July 1, 1941

(Section 104 of Charter)

12% of Assessment Roll of \$1,013,964,170 for 1941-42.		\$121,675,700
Bonded Debt Not Matured—July 1, 1941.....	\$140,281,300	
Bonded Debt Not Matured—July 1, 1941		
(Exempt from 12% Limit).....	96,088,000	44,193,300
Limit of Future Bond Issues.....		<u>\$ 77,482,400</u>



**CITY AND COUNTY OF SAN FRANCISCO  
BOND INTEREST AND REDEMPTION**



CITY AND COUNTY OF SAN FRANCISCO  
AVERAGE NET INTEREST COST  
ON BONDS ISSUED

%	FOR FISCAL YEAR ENDING										%
	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	
5											5
4	4.89										4
		4.32									
			4.07								
3				3.39							3
					2.68		2.63				
2								1.82			2
1									1.55		1

NO BONDS ISSUED

**Office of the Controller**  
**Report on Examination of Accounts**  
**For the Fiscal Year Ended June 30, 1941**

(Wherever italic figures appear in this Report, they indicate red figures)

LYBRAND, ROSS BROS. & MONTGOMERY  
ACCOUNTANTS AND AUDITORS  
2 PINE STREET  
SAN FRANCISCO

October 3, 1941.

To the Honorable Board of Supervisors, City and County of San Francisco,  
San Francisco, California.

Dear Sirs:

In accordance with your resolution No. 1944, adopted July 14, 1941, we have examined the accounts of the office of the Controller of the CITY AND COUNTY OF SAN FRANCISCO for the year ended June 30, 1941, as hereinafter outlined.

*Scope of Examination:* Section 64 of the Charter provides that the Controller shall devise adequate systems of internal check. Our review of the procedure in effect in the various divisions of the Controller's office, in connection with our investigation of the internal audit and recordation of revenues, expenditures, appropriations, and encumbrances, indicates that the internal check is adequate.

Section 66 of the Charter provides that the Controller shall audit the accounts of all boards, officers, and employees of the city and county charged in any manner with the custody, collection, or disbursement of funds. Our work in connection with such accounts was restricted to a review of the reports and working papers that had been prepared by the Controller's audit staff. Several departments have not been recently audited.

Our examination of the property accounts was limited to a review of the recorded additions and retirements for the year.

We made a general review and test check of the recorded revenues and expenditures for the year. We also compared them with those of the preceding year and accounted for all substantial fluctuations. However, under the terms of our engagement we did not examine all transactions for the year.

We also examined the trust and assessment funds balance sheet as at June 30, 1941.

The book value of the Shoals Airport property (\$4,308,425.96) has been segregated and is shown as a public service enterprise, in accordance with the decision of the Controller to maintain separate utility accounts for this enterprise, effective July 1, 1941.

The accounts of the Municipal Airport were audited by the Controller, while those of the other city and county owned public service enterprises (water, power, and street railway) were audited by independent accountants. The figures included in this report are in agreement with such audit reports and are subject to the comments contained therein.

The accounts of the Controller's office, covering revenues and expenditures for the year 1940-1941, were kept according to a new classification, on a functional rather than a departmental basis. The new basis conforms to account classifications in use generally by other cities, and to the recommendation of the United States Bureau of Census. In order to facilitate fair comparisons with the preceding year, the major items of revenues and expenditures for 1939-40 have been reclassified on the basis used for the 1940-41 accounting. For this reason the revenues and expenditures for the year 1939-40, as stated in this report, do not necessarily agree, except in total, with those stated in our report for that year.



## REVENUES, EXPENDITURES, AND CURRENT SURPLUS

A condensed summary of the general city and county revenues, expenditures, and current surplus for the year ended June 30, 1941, comparative with the preceding year, follows:

Revenues:	Year Ended June 30	
	1941	1940
Property taxes and penalties.....	\$35,054,385.00	\$32,596,944.65
Other taxes and licenses.....	1,021,319.98	1,206,462.03
Received through State of California.....	13,178,370.99	12,222,726.11
General city and county services.....	2,022,418.50	1,874,590.36
Contribution from Water Department.....	454,425.00	902,898.00
Fines, forfeits, and penalties.....	539,899.57	265,138.73
Cash transferred from capital funds.....	308,905.34	93,229.55
From use of money and property.....	127,657.44	138,543.74
Total revenues .....	<u>\$52,707,381.82</u>	<u>\$49,300,533.17</u>
Expenditures:		
General city and county expenses.....	\$39,995,497.68	\$38,172,579.49
Bond interest and redemption.....	5,014,100.76	4,857,805.17
Pensions and compensation insurance.....	2,451,517.11	2,455,250.31
Contributions to public service enterprises...	2,403,174.19	1,245,681.30
Contributions to other civil projects.....	263,498.00	104,658.69
Capital additions from revenues.....	1,247,743.85	1,046,070.03
Other .....	759,163.78	535,145.44
Total expenditures .....	<u>\$52,134,695.37</u>	<u>\$48,417,190.43</u>
Net revenues .....	\$ 572,686.45	\$ 883,342.74
Current surplus from preceding year.....	5,859,777.64	4,976,434.90
Current surplus at close of year.....	<u>\$ 6,432,464.09</u>	<u>\$ 5,859,777.64</u>

The foregoing statement does not include the operations of the city and county owned public service enterprises, which are stated separately on page 67 of this report.

In accordance with section 64 of the Charter, the public service enterprises keep their accounts in the same manner as privately owned and operated utilities.

The foregoing summary shows certain fluctuations of revenues and expenditures in regard to which we submit the following comments:

*Property Taxes:* These showed an increase of \$2,457,440.35, as follows:

	Taxes	Tax Rate
1940-41 .....	\$35,054,385.00	\$4.295
1939-40 .....	32,596,944.65	3.937
	<u>\$2,457,440.35</u>	

A summary of the assessment rolls follows:

Property assessed by City and County Assessor:

Tangible property:	1940-41	1939-40
Real estate and improvements.....	\$660,759,409	\$665,685,294
Personal property—secured .....	7,117,357	10,309,533
	<u>\$667,876,766</u>	<u>\$675,994,827</u>
Less, veterans' exemptions.....	6,971,519	6,777,349
	<u>\$660,905,247</u>	<u>\$669,217,478</u>
Personal property—unsecured .....	70,243,585	64,562,440
	<u>\$731,148,832</u>	<u>\$733,779,918</u>
Intangible property:		
Solvent credits (10 cents per \$100) .....	<u>\$122,131,993</u>	<u>\$120,635,532</u>

Property assessed by State Board of Equalization:

Tangible property:		
Real estate and improvements.....	\$ 56,524,500	\$ 56,830,960
Personal property .....	32,913,470	30,765,680
	<u>\$ 89,437,970</u>	<u>\$ 87,596,640</u>
Intangible property:		
Solvent credits (10 cents per \$100) .....	<u>\$ 34,472,660</u>	<u>\$ 42,077,030</u>
Total property subject to city and county taxes .....	<u>\$977,191,455</u>	<u>\$984,089,120</u>

The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

- (1) Railroad companies including street railways, herein defined to include interurban railways, whether operating in one or more counties
- (2) Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit, and other car-loaning and other car companies, operating upon the railroads in the state
- (3) Companies doing express business on any railroad, steamboat, vessel, or stage line in the state
- (4) Telegraph and telephone companies
- (5) Companies engaged in the transmission or sale of gas or electricity."

*Other Taxes and Licenses: A comparative summary follows:*

	Year Ended June 30	
	1941	1940
<b>Franchise taxes:</b>		
The Pacific Telephone and Telegraph Company..	\$ 293,450.34	\$ 277,261.96
Market Street Railway Company.....	38,833.99	40,824.80
California Street Cable Railroad Company.....	4,933.54	4,487.05
American District Telegraph Company.....	5,896.57	5,478.97
Pacific Gas and Electric Company.....	160,000.00	475,000.00
	<u>\$ 503,114.44</u>	<u>\$ 803,052.78</u>
<b>Licenses:</b>		
Business .....	\$ 418,285.63	\$ 312,337.44
Professional and occupational.....	43,338.41	40,553.85
Vehicle .....	29,513.50	22,055.46
Nonbusiness .....	27,068.00	28,462.50
	<u>\$ 518,205.54</u>	<u>\$ 403,409.25</u>
	<u>\$1,021,319.98</u>	<u>\$1,206,462.03</u>

Franchise taxes from Pacific Gas and Electric Company in 1939-40 included \$400,000 as price of franchise in consideration of distribution prior to January 1, 1940.

*Revenues Received through the State of California: A comparative summary follows:*

	Year Ended June 30	
	1941	1940
Alcoholic beverage licenses.....	\$ 585,240.45	\$ 558,489.06
Motor vehicle licenses—county.....	447,633.90	338,514.41
Motor vehicle licenses—city.....	615,450.35	467,472.29
County roads .....	1,400,510.16	1,308,760.53
Gas tax street improvement.....	542,037.24	617,913.54
Tubercular patients .....	92,568.04	91,306.64
Maintenance of minors.....	366,896.56	331,575.80
Needy half orphans.....	295,037.59	269,887.30
Needy blind .....	230,138.87	205,362.08
Needy aged .....	3,965,747.90	3,252,953.69
Elementary schools .....	2,249,535.25	2,431,922.01
High schools .....	2,325,057.87	2,312,591.57
Vocational training .....	60,488.54	35,977.19
Filing fees .....	2,028.27	.....
	<u>\$13,178,370.99</u>	<u>\$12,222,726.11</u>

Motor vehicle licenses increased \$257,097.55 as follows:

	1940-41	1939-40	Increase
Prorated to county.....	\$ 447,633.90	\$338,514.41	\$109,119.49
Prorated to city.....	615,450.35	467,472.29	147,978.06
	<u>\$1,063,084.25</u>	<u>\$805,986.70</u>	<u>\$257,097.55</u>

*General City and County Expenses:* These expenses increased \$1,822,918.19, as follows:

	Year Ended June 30	
	1941	1940
General government .....	\$ 4,087,802.93	\$ 3,955,086.86
Public safety .....	7,354,689.63	7,402,354.52
Highways .....	1,304,626.40	1,212,568.96
Sanitation and waste removal.....	1,066,773.66	937,372.74
Health conservation .....	759,713.00	750,981.53
Hospitals .....	2,755,472.26	2,536,969.50
Charities .....	9,736,673.33	8,817,285.70
Corrections .....	313,266.30	300,186.20
Schools and libraries.....	10,286,844.98	9,952,856.51
Recreation .....	2,329,635.19	2,306,916.97
	<u>\$39,995,497.68</u>	<u>\$38,172,579.49</u>
	38,172,579.49	
Increase .....	<u>\$ 1,822,918.19</u>	

A detailed comparison of these expenses is shown on pages 64 and 65 of this report.

### PROPRIETARY BALANCE SHEET COMMENTS

The following comments refer to the various items which appear on the proprietary balance sheet:

*Properties:* A summary of the property accounts is shown on page 68 of this report. We examined the vouchers for the major additions to the general city and county properties during the year and found that they represented proper capital charges.

*Cash:* Cash on deposit with the treasurer as at June 30, 1941, amounting to \$20,078,260.71, and the imprest funds of the general city and county were verified by the Controller. Our review of the working papers indicated that such verification had been properly performed, and that the treasurer had complied with section 82 of the Charter, which regulates the receipt, custody, and deposit of public funds.

*Taxes Receivable:* A summary of taxes receivable follows:

Secured taxes:

1940-41 .....	\$295,422.44
1939-40 .....	121,490.65
1938-39 .....	86,262.12
Prior years .....	272,870.30
	<u>\$776,045.51</u>

Interest, penalties, and costs on delinquent secured taxes .....	24,263.87
--	-----------

\$800,309.38

Less, installment collections.....	113,703.99
------------------------------------	------------

\$686,605.39

Unsecured taxes and penalties amounting to \$770,079.04, and fully reserved, are not included above.

Taxes receivable were not confirmed by communication with the property owners.

*Revenues Accrued and Other Receivables:* These receivables consist of the following:

State of California .....	\$1,344,406.09
Franchise revenues .....	390,100.00
Accrued interest on investment bonds .....	429,904.82
Other .....	12,388.56
Total general city and county .....	\$2,176,799.47
Accounts receivable, public service enterprises .....	732,685.48
	<u>\$2,909,484.95</u>

Amounts due from the State of California are herewith detailed:

County roads .....	\$ 523,734.97
Beverage licenses .....	392,475.82
Special gas tax street improvement .....	161,427.70
Motor vehicle licenses .....	148,591.40
Fire boats .....	26,741.12
Tubercular patients .....	46,400.00
Maintenance of minors .....	24,856.11
Vocational training .....	20,178.97
	<u>\$1,344,406.09</u>

These are in agreement with copies of claims on file against the state, estimates of amounts for which claims had not been submitted, and/or subsequent collections.

Accrued franchise revenues are as follows:

The Pacific Telephone and Telegraph Company, for the nine months ended June 30, 1941 .....	\$205,000.00
Pacific Gas and Electric Company, for the year ended June 30, 1941 .....	160,000.00
Market Street Railway Company, for the six months ended June 30, 1941 .....	20,000.00
California Street Cable Railroad Company, for the six months ended June 30, 1941 .....	2,300.00
American District Telegraph Company, for the six months ended June 30, 1941 .....	2,800.00
	<u>\$390,100.00</u>

*Investment Securities: A summary follows:*

Employees' Retirement System (bonds):	Par Values	Book Values
United States Government.....	\$ 450,000	\$ 470,199.18
State of California.....	3,182,000	3,239,781.33
State of California Toll Bridge Authority.....	430,000	457,666.91
City and County of San Francisco.....	3,583,800	3,818,366.64
East Bay Municipal Utility District.....	1,678,000	1,864,279.11
City of New York.....	4,081,000	4,729,262.91
Golden Gate Bridge and Highway District.....	500,000	560,734.37
City of Los Angeles.....	2,163,000	2,521,864.71
Los Angeles County Flood Control District.....	1,279,000	1,512,717.44
Marin Municipal Water District.....	361,000	377,510.57
Metropolitan Water District of Southern California .....	4,122,000	4,713,673.75
City of Richmond.....	403,000	427,693.35
City of Sacramento.....	393,000	424,267.79
City of Stockton.....	373,000	400,857.32
Other California cities, counties, and school districts .....	1,684,275	1,756,714.54
Railroads .....	543,100	533,118.87
Public utilities .....	719,000	748,922.95
	<u>\$25,945,175</u>	<u>\$28,557,631.74</u>
Bequest and trust funds (stocks and bonds).....	125,426	179,638.81
	<u>\$26,070,601</u>	<u>\$28,737,270.55</u>

These securities are in the joint custody of the Controller and the Treasurer. The Controller has verified the securities and the collection of interest and dividends. Since the securities were purchased for investment, we have not attempted to determine their market values. None of the bonds were in default as to principal or interest as at June 30, 1941.

In accordance with section 159 of the Charter, the Retirement Board has exclusive control of the administration and investment of the funds of the Retirement System.

*Deferred Charges: A summary follows:*

## General city and county:

Relief expenditures financed by long-term loans.	\$ 4,750,249.10
Commitments .....	6,983,456.33
Materials and supplies.....	352,256.79
Other .....	12,750.00
	<u>\$12,098,712.22</u>

Public service enterprises..... 1,260,948.08

\$13,359,660.30

Relief expenditures, \$4,750,249.10, resulted from an outlay in prior years for unemployment relief, which was financed as follows:

Sale of relief bonds.....	\$6,500,000.00	
Less, redemptions .....	2,710,000.00	\$3,790,000.00
	<u>\$2,017,261.00</u>	
Loans from State of California.....		960,249.10
Less, payments thereon.....	1,057,011.90	
		<u>\$4,750,249.10</u>

The relief bonds mature at the rate of \$542,000 per year. The balances of the loans from the State of California, represented by three notes maturing in annual installments, are as follows:

Balance Due	Payable Annually
\$600,000.00	\$100,000.00
220,283.50	55,070.90
139,965.60	46,655.20
<u>\$960,249.10</u>	

Commitments are herewith detailed:

	Original Amount	Unpaid Balance
Employees' Retirement System.....		\$5,464,813.17
Land purchases:		
Fleishhacker playground .....	\$363,986.00	251,552.58
Lafayette Park .....	200,000.00	60,000.00
Sigmund Stern Grove.....	50,000.00	5,000.00
Aquatic Park .....	142,500.00	88,333.32
Yacht Harbor .....	390,707.00	329,517.33
Other commitments:		
Joint Highway District No. 9.....	368,354.00	55,954.25
Joint Highway District No. 10.....	818,000.00	580,702.00
Judgments .....		147,583.68
		<u>\$6,983,456.33</u>

These commitments represent amounts which will be paid from the revenues of future years.

Materials and supplies are shown at their book values.

*Bonded Indebtedness:* We verified the following changes in bonded indebtedness for the year ended June 30, 1941:

	Total	Public Service Enterprises	General City and County
Outstanding, June 30, 1940.....	\$151,595,900	\$106,356,400	\$45,239,500
(None sold during year)			
Redeemed during year.....	7,606,800	4,121,600	3,485,200
Outstanding, June 30, 1941.....	<u>\$143,989,100</u>	<u>\$102,234,800</u>	<u>\$41,754,300</u>

As at June 30, 1941, there were no bonds authorized but unissued.

Section 104 of the Charter provides that the bonded debt, exclusive of (1) debt incurred for the financing of public improvements, the cost of which is assessed against private property benefited thereby, and (2) debt incurred for water supply, storage, or distribution purposes, shall not exceed 12 per cent of the assessed value of all real and personal property subject to city and county taxes.

A summary of the assessment roll of March 3, 1941 (for the year 1941-42) follows:

Real estate and improvements and secured personal property, taxable at \$4.396 per \$100 (1941-42 rate).....	747,824,171
Unsecured tangible personal property, taxable at \$4.295 per \$100 (1940-41 rate) .....	78,646,149
Total taxable property.....	\$ 826,470,320
Solvent credits, taxable at the rate of 10 cents per \$100.....	187,493,850
Total property subject to city and county taxes.....	<u>\$1,013,964,170</u>

The tax rate of 10 cents per \$100 on solvent credits was first applied in the fiscal year 1929-30. Prior to that year solvent credits were taxed at the same rates as tangible property. The 12 per cent limit on bonded indebtedness was fixed by a charter amendment voted November 2, 1926. Prior to that date the limit was 15 per cent.

Bonded debt as at July 1, 1941, subject to the 12 per cent limit, amounted to \$44,193,300, as follows:

Bonds not matured.....	\$140,281,300
Deduct, bonds not subject to the 12 per cent limit:	
Hetch Hetchy .....	\$59,775,000
Water Department .....	36,313,000
Bonded debt subject to the 12 per cent limit	<u>\$ 44,193,300</u>

From the foregoing it will be seen that the charter provision with respect to bonded debt limit has been complied with.

*Accounts and Notes Payable:* These liabilities are herewith summarized:

General city and county:

Contracts, purchase orders, etc.....	\$ 1,477,104.40
Relief loans from State of California.....	960,249.10
Accrued interest thereon.....	127,012.84
Warrants outstanding .....	1,365,439.34
Commitments .....	6,983,456.33
	<u>\$10,913,262.01</u>
Public service enterprises.....	1,778,837.64
	<u>\$12,692,099.65</u>

Contracts, purchase orders, etc., were verified by reference to the supporting records and by a review of the procedure in connection with the Controller's audit, approval, and recordation of these liabilities.

Relief loans from the State of California consist of three loans as follows:

Date of Loan	Interest Rate	Original Amount	Unpaid Balance	Payable Annually
Nov. 16, 1933	4¼%	\$1,000,000	\$600,000.00	\$100,000.00
Aug. 11, 1934	3¾	550,709	220,283.50	55,070.90
Apr. 26, 1934	4½	466,552	139,965.60	46,655.20
			<u>\$960,249.10</u>	

These loans were made under the provisions of the Unemployment Relief Bond Act of 1933.

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. The bonds of that district, amounting to \$35,000,000, are general obligations of the district and are payable (to the extent that revenues of the district may be insufficient to meet operating expenses, interest, and redemption charges) from ad valorem taxes which may be levied, without limitation as to rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte counties, and portions of Napa and Mendocino counties. The records of the district showed that the bridge operations for the past two years had resulted as follows:

	Year Ended June 30	
	1941	1940
Operating revenues .....	\$2,282,213.58	\$2,124,158.50
Operating expenses .....	508,729.47	520,187.05
	<u>\$1,773,484.11</u>	<u>\$1,603,971.45</u>
Other expenses .....	40,062.07	12,398.51
	<u>\$1,733,422.04</u>	<u>\$1,591,572.94</u>
Bond interest .....	1,519,500.00	1,519,500.00
Net income .....	<u>\$ 213,922.04</u>	<u>\$ 72,072.94</u>



Disposition of net income:	Year Ended June 30	
	1941	1940
Bond redemption fund (a).....	\$ 125,000.00	\$ 50,000.00
Reserve interest fund.....	3,156.84	4,211.53
Sinking fund .....	552.44	.....
Capital fund .....	19.56	106.39
Balance to current surplus.....	85,193.20	17,755.02
	<u>\$ 213,922.04</u>	<u>\$ 72,072.94</u>

(a) Bond maturities are as follows:

	Due Annually	Total
\$ 200,000 July 1, 1942-46.....	\$ 1,000,000	
400,000 July 1, 1947-51.....	2,000,000	
800,000 July 1, 1952-56.....	4,000,000	
1,200,000 July 1, 1957-61.....	6,000,000	
1,600,000 July 1, 1962-66.....	8,000,000	
2,800,000 July 1, 1967-71.....	14,000,000	
	<u>\$35,000,000</u>	

Contingent liabilities exist through the unsettled lawsuits of school teachers for salary adjustments of prior years.

The City Attorney has stated to us that it is impossible at this time to determine the amounts involved in these actions, and that there are no other unsettled lawsuits against the City and County of San Francisco in which any substantial amounts are involved, exclusive of litigation in connection with public service enterprises.

### FUND BALANCE SHEET COMMENTS

A summary of the fund balance sheets with statements showing in detail the status of the various funds will be found on pages 75 to 85 of this report.

A reconciliation of the fund balance sheet with the proprietary balance sheet follows:

Fund balance sheet:

Trust and assessment funds.....	\$ 30,400,910.91
Surplus .....	11,555,146.59
	<u>\$ 41,956,057.50</u>

Add, proprietary assets not shown in fund balance sheet, since they do not represent fund resources:

Properties, net .....	\$379,085,209.14	
Account receivable from City of Palo Alto, collectible over a period of years .....	163,657.46	
Revolving funds and undeposited cash..	75,530.00	
Deferred charges .....	13,359,660.30	392,684,056.90
		<u>\$434,640,114.40</u>

Deduct, proprietary liabilities not shown in fund balance sheet, representing charges against revenues of future years:

Bonded debt unmatured.....	\$140,281,300.00	
Bond interest unmatured.....	345,418.79	
Bonds and interest due July 1, 1941, included in 1941-42 budget.....	2,185,436.25	
Commitments .....	6,983,456.33	
Hetch Hetchy rent due July 1, 1941.....	30,000.00	
Relief loans from State.....	960,249.10	
Accrued interest thereon.....	127,012.84	
Other deferred credits.....	1,119,503.90	152,032,377.21
		<u>152,032,377.21</u>

Proprietary balance sheet:

Trust and assessment funds.....	\$ 30,405,480.41
Surplus .....	252,202,256.78
	<u>\$282,607,737.19</u>

The following funds showed deficits as at June 30, 1941:

Auditorium .....	\$167,930.42
Firemen's Relief and Pension.....	171,250.71
Police Relief and Pension.....	103,235.58
	<u>\$442,416.71</u>

These deficits were created prior to the adoption of the present Charter which became effective January 8, 1932, with some slight adjustments since then.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the Charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.
2. Payment of that portion of the authorized expenses of the city and county for any fiscal year which, as certified by the Controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The cash reserve fund as at June 30, 1941, had a balance of \$3,257,592.20, as follows:

Cash .....	\$2,315,321.56
Temporary loans to other funds.....	735,000.00
Other interfund accounts.....	207,270.64
	<u>\$3,257,592.20</u>

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

*Surety Bonds:* We inspected the surety bonds covering the various officers of the city and county and determined that the Charter provisions had been complied with.

All surety bonds on file have been approved by the Controller in accordance with Bill No. 1092, Ordinance No. 1058, approved February 26, 1941. The basis used by the Controller for this purpose is the list and limits of acceptable sureties on Federal bonds published by the U. S. Treasury Department.

We wish to express our appreciation to the Controller and his staff for their cooperation and for the many courtesies extended to us during the course of our examination.

Very truly yours,

LYBRAND, ROSS BROS. & MONTGOMERY.

## CITY AND COUNTY OF SAN FRANCISCO

## PROPRIETARY BALANCE SHEET

June 30, 1941

## ASSETS:

## General City and County

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Trust and Assessment Accounts
<b>Fixed capital:</b>						
Properties, details annexed.....	\$419,999,856.47	\$198,566,298.65	\$221,433,557.82	.....	\$221,433,557.82	.....
Less, allowance for depreciation...	40,914,647.33	40,914,647.33	.....	.....	.....	.....
	<u>\$379,085,209.14</u>	<u>\$157,651,651.32</u>	<u>\$221,433,557.82</u>	.....	<u>\$221,433,557.82</u>	.....
<b>Cash:</b>						
On deposit with treasurer.....	\$ 20,078,260.71	\$ 8,116,228.10	\$ 11,962,032.61	\$ 9,340,928.11	\$ 980,034.47	\$ 1,641,070.03
Other cash .....	75,530.00	44,680.00	30,850.00	30,850.00	.....	.....
	<u>\$ 20,153,790.71</u>	<u>\$ 8,160,908.10</u>	<u>\$ 11,992,882.61</u>	<u>\$ 9,371,778.11</u>	<u>\$ 980,034.47</u>	<u>\$ 1,641,070.03</u>
<b>Accounts receivable:</b>						
Taxes receivable, less allowance for uncollectible taxes .....	\$ 686,605.39	.....	686,605.39	686,605.39	.....	.....
City of Palo Alto (pipe line contract) .....	163,657.46	\$ 163,657.46	.....	.....	.....	.....
Revenues accrued and other receivables, less allowance for uncollectible items .....	2,909,484.95	732,685.48	\$ 2,176,799.47	\$ 1,736,528.47	.....	\$ 440,271.00
	<u>\$ 3,759,747.80</u>	<u>\$ 896,342.94</u>	<u>\$ 2,863,404.86</u>	<u>\$ 2,423,133.86</u>	.....	<u>\$ 440,271.00</u>
<b>Investment securities (details on page 70) .....</b>	<u>\$ 28,737,270.55</u>	.....	<u>\$ 28,737,270.55</u>	.....	.....	<u>\$28,737,270.55</u>
<b>Interfund accounts (contra) .....</b>	<u>\$ 1,092,724.26</u>	<u>\$ 337,224.89</u>	<u>\$ 755,499.37</u>	<u>\$ 735,324.47</u>	.....	<u>\$ 20,174.90</u>
<b>Deferred charges:</b>						
Relief expenditures financed by long-term loans .....	\$ 4,750,249.10	.....	\$ 4,750,249.10	\$ 4,750,249.10	.....	.....
Commitments (contra) .....	6,983,456.33	.....	6,983,456.33	6,983,456.33	.....	.....
Materials and supplies .....	1,200,135.74	847,878.95	352,256.79	352,256.79	.....	.....
Other deferred charges .....	425,819.13	413,069.13	12,750.00	12,750.00	.....	.....
	<u>\$ 13,359,660.30</u>	<u>\$ 1,260,948.08</u>	<u>\$ 12,098,712.22</u>	<u>\$12,098,712.22</u>	.....	.....
	<u>\$446,188,402.76</u>	<u>\$168,307,075.33</u>	<u>\$277,881,327.43</u>	<u>\$24,628,948.66</u>	<u>\$222,413,592.29</u>	<u>\$30,838,786.48</u>

## LIABILITIES:

## General City and County

## Bonded debt, details annexed:

	Grand Total	Public Service Enterprises	Total	Current Accounts	Capital Accounts	Trust and Assessment Accounts
Due July 1, 1941.....	\$ 3,300,000.00	\$ 2,600,000.00	\$ 700,000.00	\$ 700,000.00	.....	.....
Due subsequently .....	140,281,300.00	99,568,000.00	40,713,300.00	3,790,000.00	\$ 36,923,300.00	.....
Matured, unpaid .....	407,800.00	66,800.00	341,000.00	341,000.00	.....	.....
	<u>\$143,989,100.00</u>	<u>\$102,234,800.00</u>	<u>\$ 41,754,300.00</u>	<u>\$ 4,831,000.00</u>	<u>\$ 36,923,300.00</u>	.....
<b>Bond interest:</b>						
Due July 1, 1941.....	\$ 2,275,436.25	\$ 1,909,970.00	\$ 365,466.25	\$ 365,466.25	.....	.....
Accrued, not due.....	345,418.79	62,746.65	282,672.14	282,672.14	.....	.....
Matured, unpaid .....	484,319.00	258,667.50	225,651.50	225,651.50	.....	.....
	<u>\$ 3,105,174.04</u>	<u>\$ 2,231,384.15</u>	<u>\$ 873,789.89</u>	<u>\$ 873,789.89</u>	.....	.....

## Accounts and notes payable:

Contracts, purchase orders, etc....	\$ 2,893,073.00	\$ 1,415,968.60	\$ 1,477,104.40	\$ 1,406,419.20	\$ 14,698.04	\$ 55,987.16
Relief loans from State of California .....	960,249.10	.....	960,249.10	960,249.10	.....	.....
Accrued interest thereon.....	127,012.84	.....	127,012.84	127,012.84	.....	.....
Warrants outstanding .....	1,698,308.38	332,869.04	1,365,439.34	995,002.59	546.31	369,890.44
Commitments (contra) .....	6,983,456.33	.....	6,983,456.33	6,983,456.33	.....	.....
Hetch Hetchy rent (due July 1, 1941) .....	30,000.00	30,000.00	.....	.....	.....	.....
	<u>\$ 12,692,099.65</u>	<u>\$ 1,778,837.64</u>	<u>\$ 10,913,262.01</u>	<u>\$10,472,140.06</u>	<u>\$ 15,244.35</u>	<u>\$ 425,877.60</u>
<b>Trust and assessment funds.....</b>	<u>\$ 30,405,480.41</u>	.....	<u>\$ 30,405,480.41</u>	.....	.....	<u>\$30,405,480.41</u>
<b>Interfund accounts (contra) .....</b>	<u>\$ 1,092,724.26</u>	<u>\$ 862,014.03</u>	<u>\$ 230,710.23</u>	<u>\$ 223,281.76</u>	.....	<u>\$ 7,428.47</u>

## Deferred credits:

Taxes collected for year 1941-42..	\$ 1,582,063.72	.....	\$ 1,582,063.72	\$ 1,582,063.72	.....	.....
Other deferred credits and reserves .....	1,119,503.90	905,294.76	214,209.14	214,209.14	.....	.....
	<u>\$ 2,701,567.62</u>	<u>\$ 905,294.76</u>	<u>\$ 1,796,272.86</u>	<u>\$ 1,796,272.86</u>	.....	.....

## SURPLUS:

Detailed statements annexed.....	\$252,202,256.78	\$ 60,294,744.75	\$191,907,512.03	\$ 6,432,464.09	\$185,475,047.94	.....
	<u>\$446,188,402.76</u>	<u>\$168,307,075.33</u>	<u>\$277,881,327.43</u>	<u>\$24,628,948.66</u>	<u>\$222,413,592.29</u>	<u>\$30,838,786.48</u>

NOTE: Public Service Enterprises assets and liabilities are detailed on page 66 of this report.



## CAPITAL SURPLUS — GENERAL CITY AND COUNTY

For the year ended June 30, 1941

Balance, June 30, 1940.....	\$184,092,227.39
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## Add:

Matured bonds transferred to current funds ledger .....	\$3,165,100.00
Capital additions from revenue.....	1,247,743.85
Contributions as sponsor to P.W.A. projects..	27,752.52
Capital additions from trust funds.....	1,006,341.90
Federal grants earned.....	772,921.85
Interest during construction capitalized.....	28,905.34
	<u>\$6,248,765.46</u>

## Deduct:

Cash transferred to current funds.....	\$ 308,905.34
Property retirements .....	241,565.07
Shoals Airport transferred to public service enterprise accounts .....	4,308,425.96
Miscellaneous .....	7,048.54
	<u>\$4,865,944.91</u>

Net additions to capital surplus.....	1,382,820.55
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Balance, June 30, 1941.....	<u>\$185,475,047.94</u>
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# REVENUES, EXPENDITURES, AND CURRENT SURPLUS GENERAL CITY AND COUNTY

For the years ended June 30, 1941 and 1940

## REVENUES

	Year Ended June 30	
	1941	1940
Property taxes and penalties.....	\$35,054,385.00	\$32,596,944.65
Other taxes and licenses:		
Franchise taxes .....	\$ 503,114.44	\$ 803,052.78
Business licenses .....	418,285.63	312,337.44
Professional and occupational licenses.....	43,338.41	40,553.85
Vehicle licenses .....	29,513.50	22,055.46
Nonbusiness licenses .....	27,068.00	28,462.50
	<u>\$ 1,021,319.98</u>	<u>\$ 1,206,462.03</u>
Received through State of California, details on page 51 .....	\$13,178,370.99	\$12,222,726.11
Other revenues:		
General city and county services.....	\$ 2,022,418.50	\$ 1,874,590.36
Contributions from Water Department.....	454,425.00	902,898.00
Fines, forfeits, and penalties.....	539,899.57	265,138.73
Cash transferred from capital funds.....	308,905.34	93,229.55
Revenues from use of money and property....	127,657.44	138,543.74
	<u>\$ 3,453,305.85</u>	<u>\$ 3,274,400.38</u>
Total revenues .....	<u>\$52,707,381.82</u>	<u>\$49,300,533.17</u>

## EXPENDITURES

General city and county expenses.....	\$39,995,497.68	\$38,172,579.49
Bond redemption .....	3,165,100.00	2,865,100.00
Bond interest .....	1,849,000.76	1,992,705.17
Other interest .....	60,502.11	84,481.92
Pensions and compensation insurance.....	2,451,517.11	2,455,250.31
Judgments and losses.....	84,244.92	71,861.02
Contributions to public service enterprises:		
Hetch Hetchy project.....	2,069,583.32	1,007,944.00
Municipal Airport .....	333,590.87	237,737.30
Capital additions from revenues.....	1,247,743.85	1,046,070.03
Contributions to P.W.A. projects.....	27,752.52	267,107.69
Contributions to joint highway projects.....	188,498.00	104,658.69
Contribution to San Francisco housing project...	75,000.00	.....
Miscellaneous, net .....	586,664.23	111,694.81
Total expenditures .....	<u>\$52,134,695.37</u>	<u>\$48,417,190.43</u>
Net revenues .....	\$ 572,686.45	\$ 883,342.74
Current surplus from preceding year.....	5,859,777.64	4,976,434.90
Current surplus at close of year.....	<u>\$ 6,432,464.09</u>	<u>\$ 5,859,777.64</u>

## REVENUES FROM GENERAL CITY AND COUNTY SERVICES

For the years ended June 30, 1941 and 1940

	Year Ended June 30	
	1941	1940
General government:		
Municipal Courts .....	\$ 61,752.25	\$ 64,811.90
Superior Courts .....	87,191.65	88,311.08
Recorder .....	122,453.13	119,830.40
Public Administrator .....	60,979.67	58,012.04
Sheriff .....	30,458.40	34,042.57
Treasurer .....	12,978.22	13,214.31
Rent .....	15,368.75	15,759.92
Other .....	43,675.17	33,249.93
	<u>\$ 434,857.24</u>	<u>\$ 427,232.15</u>
Public safety:		
Inspections and permits.....	\$ 244,342.80	\$ 206,289.45
Department of Electricity.....	81,433.09	75,596.30
Fire Department .....	111,017.74	79,224.74
Police Department .....	441.82	14,070.08
Public Pound .....	2,336.00	4,263.75
Agricultural Commission .....	8,319.37	9,732.86
Other .....	17.50	2,055.76
	<u>\$ 447,908.32</u>	<u>\$ 391,232.94</u>
Schools and libraries:		
Schools .....	\$ 153,420.41	\$ 121,798.32
Libraries .....	23,981.72	22,420.95
	<u>\$ 177,402.13</u>	<u>\$ 144,219.27</u>
Recreation:		
Parks and playgrounds.....	\$ 508,790.17	\$ 517,329.64
Art Commission .....	60,153.22	50,505.95
Opera House .....	43,186.92	43,563.35
Coit Tower .....	8,054.61	8,455.65
Other .....	2,149.74	8,736.59
	<u>\$ 622,334.66</u>	<u>\$ 628,591.18</u>
Hospitals, charities, and corrections:		
Hospitals .....	\$ 73,363.79	\$ 48,999.18
Charities .....	66,533.03	55,747.05
Corrections .....	23,438.84	7,690.40
	<u>\$ 163,335.66</u>	<u>\$ 112,436.63</u>
Other:		
Sanitation .....	\$ 97,819.07	\$ 89,761.31
Health .....	77,634.18	68,985.05
General and miscellaneous.....	1,127.24	12,131.83
	<u>\$ 176,580.49</u>	<u>\$ 170,878.19</u>
Total revenues from general city and county services .....	<u>\$2,022,418.50</u>	<u>\$1,874,590.36</u>

## GENERAL CITY AND COUNTY EXPENSES

For the years ended June 30, 1941 and 1940

	Year Ended June 30	
	1941	1940
General government:		
Legislative .....	\$ 96,571.75	\$ 97,083.68
Executive .....	79,083.70	85,614.28
Judicial .....	997,807.10	965,524.51
Elections .....	274,830.83	278,877.20
Finance .....	921,310.35	873,480.15
Law .....	225,761.16	213,154.82
Recording and reporting.....	103,672.04	106,160.93
Administrative officers and boards.....	459,639.03	513,341.69
General government buildings.....	386,345.95	380,918.58
Community promotion, etc.....	542,781.02	440,931.02
	<u>\$ 4,087,802.93</u>	<u>\$ 3,955,086.86</u>
Public safety:		
Police Department .....	\$ 3,542,634.48	\$ 3,562,536.92
Fire Department .....	3,537,787.62	3,592,879.41
Protective inspection .....	274,267.53	246,938.19
	<u>\$ 7,354,689.63</u>	<u>\$ 7,402,354.52</u>
Highways:		
General administration .....	\$ 28,960.85	\$ 27,100.98
Roadways .....	376,280.62	334,980.83
Street lighting .....	812,424.45	749,013.54
Bridges and viaducts.....	64,245.74	59,683.81
Maintenance of equipment.....	22,714.74	41,789.80
	<u>\$ 1,304,626.40</u>	<u>\$ 1,212,568.96</u>
Sanitation and waste removal:		
Sewers and sewage disposal.....	\$ 467,260.44	\$ 394,850.21
Street sanitation .....	593,691.17	536,472.50
Miscellaneous .....	5,822.05	6,050.03
	<u>\$ 1,066,773.66</u>	<u>\$ 937,372.74</u>
Health conservation:		
General administration .....	\$ 32,304.08	\$ 62,405.37
Vital statistics .....	19,979.56	17,181.85
Health regulation and inspection.....	263,757.69	265,775.41
Control of communicable diseases.....	107,165.69	90,225.65
Child health services.....	298,848.81	291,001.98
Miscellaneous .....	37,657.17	24,391.27
	<u>\$ 759,713.00</u>	<u>\$ 750,981.53</u>



## GENERAL CITY AND COUNTY EXPENSES (Continued)

	Year Ended June 30	
	1941	1940
Hospitals:		
General administration .....	\$ 90,886.61	\$ 110,376.58
General municipal hospitals .....	1,669,047.09	1,568,528.89
Special disease municipal hospitals.....	808,021.10	675,629.86
Patients in nonmunicipal hospitals.....	174,638.08	181,234.87
Miscellaneous .....	12,879.38	1,199.30
	<u>\$ 2,755,472.26</u>	<u>\$ 2,536,969.50</u>
Charities:		
General administration .....	\$ 20,163.76	\$ 21,373.14
Adult institutional care.....	308,885.40	284,711.53
General relief .....	2,161,221.44	2,293,921.31
Contribution to work relief projects.....	187,959.26	115,239.81
Old age assistance.....	5,494,434.25	4,553,652.02
Aid to minors and widowed mothers.....	1,177,179.32	1,180,639.65
Aid to blind.....	332,035.52	310,551.60
Miscellaneous .....	54,794.38	57,196.64
	<u>\$ 9,736,673.33</u>	<u>\$ 8,817,285.70</u>
Corrections:		
County jails .....	\$ 230,647.40	\$ 233,828.39
Juvenile detention home.....	45,621.46	40,043.86
Miscellaneous .....	36,997.44	26,313.95
	<u>\$ 313,266.30</u>	<u>\$ 300,186.20</u>
Schools and libraries:		
Schools .....	\$ 9,894,956.87	\$ 9,568,107.03
Libraries .....	391,888.11	384,749.48
	<u>\$10,286,844.98</u>	<u>\$ 9,952,856.51</u>
Recreation:		
Cultural—scientific .....	\$ 552,835.67	\$ 527,609.82
Parks and squares.....	717,966.21	730,627.36
Organized recreation .....	699,671.69	664,809.88
Auditoriums and special facilities.....	160,109.53	187,910.03
Refreshment facilities .....	168,018.48	170,999.65
Miscellaneous .....	31,033.61	24,960.23
	<u>\$ 2,329,635.19</u>	<u>\$ 2,306,916.97</u>
Total general city and county expenses	<u>\$39,995,497.68</u>	<u>\$38,172,579.49</u>

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES  
PROPRIETARY BALANCE SHEET, June 30, 1941

ASSETS:

	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Municipal Airport	Shoals Airport	Public Utilities Commission
Fixed capital .....	\$198,566,298.65	\$71,568,521.76	\$106,096,195.31	\$10,873,500.12	\$5,719,655.50	\$4,308,425.96	
Less, allowance for depreciation	40,914,647.33	22,090,521.81	11,866,673.43	6,558,902.07	398,550.02		
	<u>\$157,651,651.32</u>	<u>\$49,477,999.95</u>	<u>\$ 94,229,521.88</u>	<u>\$ 4,314,598.05</u>	<u>\$5,321,105.48</u>	<u>\$4,308,425.96</u>	
Cash:							
On deposit with treasurer .....	8,116,228.10	2,995,824.96	2,419,453.35	1,307,616.44	1,345,232.38		\$48,100.97
Other cash .....	44,680.00	29,980.00	8,000.00	6,500.00	200.00		
Accounts receivable and accrued revenues, less, allowance for un- collectible items .....	896,342.94	674,333.83	200,630.02	10,340.81	11,038.28		
Interfund accounts:							
Public service enterprises (contra) .....	133,908.64	29,871.32	103,420.31	603.09			13.92
General city and county .....	203,316.25	117,629.72	25,731.13	55,674.34	4,281.06		
Deferred charges .....	1,260,948.08	486,477.29	337,368.47	423,834.68	3,767.64		9,500.00
	<u>\$168,307,075.33</u>	<u>\$53,812,117.07</u>	<u>\$ 97,324,125.16</u>	<u>\$ 6,119,167.41</u>	<u>\$6,685,624.84</u>	<u>\$4,308,425.96</u>	<u>\$57,614.89</u>
LIABILITIES:							
Bonded debt .....	\$102,234,800.00	\$37,321,000.00	\$ 61,430,000.00	\$ 1,203,800.00	\$2,280,000.00		
Bond interest payable .....	2,231,384.15	800,844.16	1,394,902.49	15,167.50	20,470.00		
Accounts payable .....	1,778,837.64	487,798.11	83,380.28	335,660.78	867,145.13		\$ 4,853.34
Interfund accounts:							
Public service enterprises (contra) .....	133,908.64	93,546.16	3,616.63	2,062.84	9,648.95		25,034.06
General city and county .....	728,105.39	417,084.33	252,178.07	57,785.24	807.91		249.84
Deferred credits and reserves .....	905,294.76	298,502.32	22,451.48	106,139.58	450,723.73		27,477.65
	<u>\$108,012,330.58</u>	<u>\$39,418,775.08</u>	<u>\$ 63,186,528.95</u>	<u>\$ 1,720,615.94</u>	<u>\$3,628,795.72</u>		<u>\$57,614.89</u>
SURPLUS:							
Detailed statements annexed .....	60,294,744.75	14,393,341.99	34,137,596.21	4,398,551.47	3,056,829.12	\$4,308,425.96	
	<u>\$168,307,075.33</u>	<u>\$53,812,117.07</u>	<u>\$ 97,324,125.16</u>	<u>\$ 6,119,167.41</u>	<u>\$6,685,624.84</u>	<u>\$4,308,425.96</u>	<u>\$57,614.89</u>

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES

REVENUES, EXPENSES, AND SURPLUS

For the year ended June 30, 1941

REVENUES AND EXPENSES:

	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Municipal Airport	Shoals Airport
Operating revenues .....	\$14,695,348.25	\$ 7,342,605.45	\$ 3,176,853.66	\$4,103,523.75	\$ 72,365.39	.....
Operating expenses .....	9,868,544.50	3,876,789.53	1,959,408.94	3,885,063.14	147,282.89	.....
Operating profit or loss .....	\$ 4,826,803.75	\$ 3,465,815.92	\$ 1,217,444.72	\$ 218,460.61	\$ 74,917.50	.....
Other revenues:						
Interest earned .....	\$ 25,257.53	\$ 22,403.00	.....	\$ 2,854.53	.....	.....
Rental .....	62,929.98	60,144.23	\$ 2,785.75	.....	.....	.....
Other .....	33,624.77	19,469.38	4,043.27	8,107.78	\$ 2,004.34	.....
.....				\$ 10,962.31	\$ 2,004.34	.....
Other expenses:						
Bond interest .....	\$ 4,562,656.05	\$ 1,651,903.33	\$ 2,848,669.38	\$ 62,083.34	.....	.....
Other .....	53,735.05	27,427.60	21,076.91	5,230.54	.....	.....
.....				\$ 67,313.88	.....	.....
Net profit or loss .....	\$ 4,616,391.10	\$ 1,679,330.93	\$ 2,869,746.29	\$ 162,109.04	\$ 72,913.16	.....
.....						
Net profit or loss .....	\$ 332,224.93	\$ 1,888,501.60	\$ 1,645,472.55			
SURPLUS:						
Balance, June 30, 1940 .....	\$53,725,096.76	\$13,291,946.78	\$33,401,019.14	\$4,236,442.43	\$2,795,688.41	.....
Add or deduct:						
Net profit or loss .....	332,224.93	1,888,501.60	1,645,472.55	162,109.04	72,913.16	.....
Contributions from taxes .....	1,948,749.19	454,425.00	2,069,583.32	.....	333,590.87	.....
Contributions from other funds .....	.....	223,414.30	223,414.30	.....	.....	.....
Transferred from general city and county .....	4,308,425.96	.....	.....	.....	.....	\$4,308,425.96
Other additions or deductions, net .....	19,752.09	109,267.09	89,052.00	.....	463.00	.....
Balance, June 30, 1941 .....	\$60,294,744.75	\$14,393,341.99	\$34,137,596.21	\$4,398,551.47	\$3,056,829.12	\$4,308,425.96

# SUMMARY OF PROPERTIES

June 30, 1941

## General City and County:

### General government:

Civic Center, including City Hall.....	\$ 8,880,207.38	\$ 2,235,954.63	\$ 4,095,608.50	\$ 2,548,644.25
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### Public safety:

Fire Department .....	12,389,774.46	627,097.23	8,722,206.95	3,040,470.28
Police Department .....	3,420,349.55	758,941.10	1,964,687.62	697,320.83
Department of Electricity.....	872,374.07	44,000.00	723,953.40	104,420.67

### Highways:

Streets, tunnels, bridges, etc.....	62,017,908.03	7,137,171.07	54,880,700.46	36.50
Asphalt plant .....	270,728.41	.....	101,992.82	168,735.59

### Sanitation:

Sewers .....	21,565,174.07	84,643.40	21,393,979.03	86,551.64
Street Cleaning Department.....	301,159.98	.....	.....	301,159.98
Garbage incinerators .....	130,142.60	65,000.00	65,142.60	.....

### Health conservation:

Hassler Health Home.....	1,237,289.01	29,442.00	1,110,062.76	97,784.25
Civic Center Health Building.....	1,137,623.49	158,588.49	899,445.72	79,589.28
Excelsior Health Center.....	85,386.04	14,637.50	66,618.18	4,130.36
Other .....	286,985.62	145,940.00	14,268.80	126,776.82

### Hospitals:

San Francisco Hospital.....	6,378,014.08	694,556.97	4,926,723.28	756,733.83
Emergency Hospital .....	237,788.53	10,999.70	82,969.15	143,819.68

## General City and County (Continued) :

## Charities:

Laguna Honda Home.....	\$ 5,033,096.00	\$ 30,000.00	\$ 4,440,271.78	\$ 562,824.22
San Francisco Welfare Building.....	2,068.47	.....	.....	2,068.47

## Corrections:

County Jail .....	859,794.11	46,906.52	800,255.01	12,632.58
Juvenile Detention Home.....	208,653.78	10,310.00	174,079.41	24,264.37
Schools .....	51,148,723.89	9,745,923.33	37,592,899.72	3,809,900.84
Libraries .....	3,464,099.25	392,710.00	1,297,202.13	1,774,187.12

## Recreation:

Museums and art galleries.....	1,281,177.63	.....	1,077,535.62	203,642.01
War Memorial and Opera House.....	5,405,355.19	463,187.20	4,789,521.96	152,646.03
Parks and squares.....	24,987,998.59	19,844,332.18	4,801,308.42	342,357.99
Swimming pool and playgrounds.....	5,331,764.92	3,080,918.22	2,090,647.54	160,199.16
Golf links .....	393,089.88	.....	393,089.88	.....
Kezar Stadium .....	784,116.55	97,008.80	687,107.75	.....
Auditorium .....	2,296,476.78	701,437.00	1,526,712.98	68,326.80

## Other:

Central warehouse and corporation yard.....	287,594.66	163,843.17	115,270.04	8,481.45
Miscellaneous .....	374,132.23	218,874.76	104,842.36	50,415.11
	<u>\$221,069,647.25</u>	<u>\$46,802,423.27</u>	<u>\$158,939,103.87</u>	<u>\$15,328,120.11</u>

## Work in progress.....

363,910.57

Total General City and County properties.....\$221,433,557.82

Public Service Enterprises.....198,566,298.65

Total properties .....\$419,999,856.47

# BONDED INDEBTEDNESS

For the year ended June 30, 1941

General City and County:	Outstanding June 30, 1940	Redeemed	Outstanding June 30, 1941
Issue of June 30, 1904, 3½ per cent:			
Golden Gate Park and Presidio Extension .....	\$ 41,000	\$ 8,200	\$ 32,800
Library .....	205,500	52,200	153,300
Mission Park .....	36,500	10,300	26,200
Playgrounds .....	92,500	24,500	68,000
Issue of July 1, 1908, 5 per cent:			
Fire protection .....	2,080,000	130,000	1,950,000
Sewer .....	1,500,000	100,000	1,400,000
Miscellaneous, 4½ per cent:			
School .....Mar. 1, 1918	382,000	123,000	259,000
Memorial Halls .....July 1, 1927	2,400,000	200,000	2,200,000
Bernal Cut .....July 1, 1927	840,000	70,000	770,000
Boulevard .....Nov. 1, 1927	5,628,000	464,000	5,164,000
Sewer .....Jan. 1, 1929	1,500,000	100,000	1,400,000
Hospital .....Jan. 1, 1929	2,275,000	175,000	2,100,000
County Jail .....Jan. 1, 1931	600,000	50,000	550,000
Playgrounds .....Feb. 1, 1931	160,000	8,000	152,000
Boulevards and Roads.Feb. 1, 1931	720,000	36,000	684,000
Parks and Squares...Feb. 1, 1931	1,120,000	56,000	1,064,000
Miscellaneous, 5 per cent:			
Exposition .....May 1, 1912	5,000	.....	5,000
City Hall and Civic Center .....July 1, 1912	4,202,000	200,000	4,002,000
School .....Mar. 1, 1923	8,105,000	140,000	7,965,000
Relief Home.....Mar. 1, 1923	700,000	75,000	625,000
Relief Bonds, September 1, 1932:			
4 to 5 per cent.....	4,332,000	542,000	3,790,000
Public Works Projects:			
Sewers, 4 per cent....Dec. 1, 1933	1,915,000	81,000	1,834,000
High Pressure System, 3 per cent.....Dec. 1, 1933	1,400,000	100,000	1,300,000
Schools, 3 per cent...Jan. 1, 1934	1,200,000	300,000	900,000
Schools, 1¼ to 2 per cent.....Dec. 1, 1938	2,520,000	280,000	2,240,000
Hospitals, 1¼ to 2 per cent.....Jan. 1, 1938	1,280,000	160,000	1,120,000
Total General City and County .....	\$ 45,239,500	\$ 3,485,200	\$ 41,754,300
Public Service Enterprises:			
Detailed schedule annexed.....	106,356,400	4,121,600	102,234,800
Total bonded indebtedness.	<u>\$151,595,900</u>	<u>\$7,606,800</u>	<u>\$143,989,100</u>

# BONDED INDEBTEDNESS—PUBLIC SERVICE ENTERPRISES

For the year ended June 30, 1941

	Outstanding June 30, 1940	Redeemed	Outstanding June 30, 1941
Hetch Hetchy Water and Power Project:			
July 1, 1910, 4½ per cent.....	\$ 25,001,000	\$1,001,000	\$ 24,000,000
January 1, 1925, 5 per cent.....	7,250,000	250,000	7,000,000
July 1, 1928, 4½ per cent.....	22,800,000	600,000	22,200,000
June 1, 1932, 2¾ to 5¾ per cent.....	6,110,000	155,000	5,955,000
December 1, 1933, 4 per cent.....	2,450,000	175,000	2,275,000
	<u>\$ 63,611,000</u>	<u>\$2,181,000</u>	<u>\$ 61,430,000</u>

## Water Department:

Spring Valley Water, July 1, 1928, 4½ per cent.....	\$ 31,004,000	\$ 996,000	\$ 30,008,000
Water Distribution, December 1, 1933, 4 per cent.....	7,876,000	563,000	7,313,000
	<u>\$ 38,880,000</u>	<u>\$1,559,000</u>	<u>\$ 37,321,000</u>

## Municipal Railway:

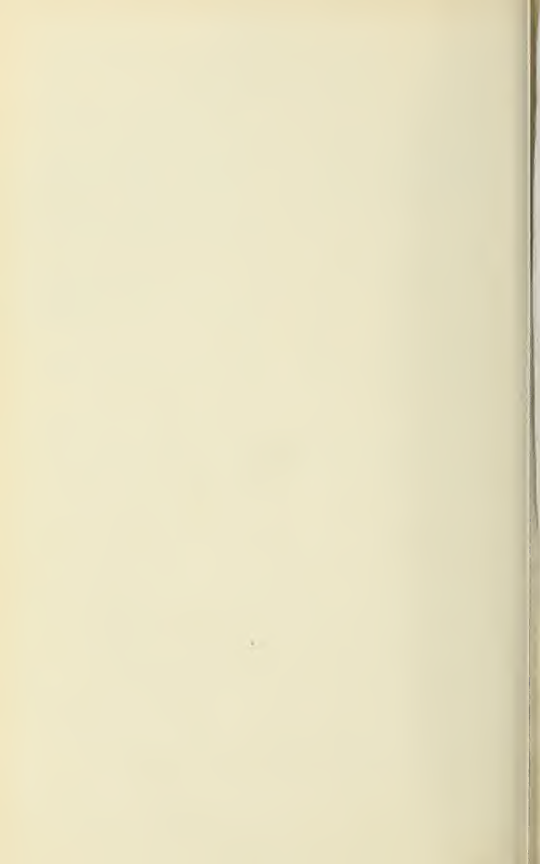
December 1, 1913, 5 per cent.....	\$ 1,300,400	\$ 96,600	\$ 1,203,800
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## Airport:

January 1, 1938, 1½ to 2 per cent...	\$ 2,565,000	\$ 285,000	\$ 2,280,000
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Total bonded indebtedness of

Public Service Enterprises.	<u>\$106,356,400</u>	<u>\$4,121,600</u>	<u>\$102,234,800</u>
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## SCHEDULE OF BOND REDEMPTION

Based on Bonds Outstanding June 30, 1941

Maturity	Grand Total	General City and County	Public Service Enterprises				
			Total	Hetch Hetchy	Water Department	Municipal Railway	Airport
Matured, unpaid .....	\$ 407,800	\$ 341,000	\$ 66,800	\$ 55,000	\$ 8,000	\$ 3,800	.....
1941-42 .....	7,880,100	3,707,100	4,173,000	2,225,000	1,563,000	100,000	\$ 285,000
1941-43 .....	7,705,100	3,532,100	4,173,000	2,225,000	1,563,000	100,000	285,000
1943-44 .....	7,705,100	3,532,100	4,173,000	2,225,000	1,563,000	100,000	285,000
1944-45 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1945-46 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1946-47 .....	7,330,000	3,157,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1947-48 .....	7,226,000	3,053,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1948-49 .....	6,528,000	2,355,000	4,173,000	2,225,000	1,563,000	100,000	285,000
1949-50 .....	5,963,000	2,075,000	3,888,000	2,225,000	1,563,000	100,000	.....
1950-51 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1951-52 .....	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1952-53 .....	5,173,000	1,285,000	3,888,000	2,225,000	1,563,000	100,000	.....
1953-54 .....	4,892,000	1,110,000	3,782,000	2,225,000	1,557,000	.....	.....
1954-55 .....	4,060,000	1,010,000	3,050,000	2,050,000	1,000,000	.....	.....
1955-56 .....	3,860,000	810,000	3,050,000	2,050,000	1,000,000	.....	.....
1956-57 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1957-58 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1958-59 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1959-60 .....	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1960-61 .....	3,630,000	580,000	3,050,000	2,050,000	1,000,000	.....	.....
1961-62 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1962-63 .....	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1963-64 .....	3,415,000	365,000	3,050,000	2,050,000	1,000,000	.....	.....
1964-65 .....	3,350,000	300,000	3,050,000	2,050,000	1,000,000	.....	.....
1965-66 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1966-67 .....	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1967-68 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1968-69 .....	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1969-70 .....	1,800,000	.....	1,800,000	800,000	1,000,000	.....	.....
1970-71 .....	1,700,000	.....	1,700,000	700,000	1,000,000	.....	.....
1971-72 .....	600,000	.....	600,000	600,000	.....	.....	.....
1972-73 .....	600,000	.....	600,000	600,000	.....	.....	.....
1973-74 .....	600,000	.....	600,000	600,000	.....	.....	.....
1974-75 .....	600,000	.....	600,000	600,000	.....	.....	.....
1975-76 .....	600,000	.....	600,000	600,000	.....	.....	.....
1976-77 .....	600,000	.....	600,000	600,000	.....	.....	.....
1977-78 .....	600,000	.....	600,000	600,000	.....	.....	.....
	<u>\$143,989,100</u>	<u>\$41,754,300</u>	<u>\$102,234,800</u>	<u>\$61,430,000</u>	<u>\$37,321,000</u>	<u>\$1,203,800</u>	<u>\$2,280,000</u>



CITY AND COUNTY OF SAN FRANCISCO  
SUMMARY OF FUNDS BALANCE SHEET  
June 30, 1941

ASSETS:	Grand Total	Public Service Enterprises	General City and County			
			Total	Current Funds	Capital Funds	Trust and Assessment Funds
Cash:						
On deposit with treasurer.....	\$20,078,260.71	\$8,116,228.10	\$11,962,032.61	\$ 9,340,928.11	\$980,034.47	\$ 1,641,070.03
Less, warrants outstanding and ma- tured bonds and coupons.....	2,590,427.38	658,336.54	1,932,090.84	1,561,654.09	546.31	369,890.44
Available cash .....	\$17,487,833.33	\$7,457,891.56	\$10,029,941.77	\$ 7,779,274.02	\$979,488.16	\$ 1,271,179.59
Investment securities .....	28,737,270.55	.....	28,737,270.55	.....	.....	28,737,270.55
Accounts and taxes receivable.....	3,596,090.34	750,722.58	2,845,367.76	2,405,096.76	.....	440,271.00
Interfund accounts (contra).....	5,367,768.22	740,645.34	4,627,122.88	4,603,461.98	.....	23,660.90
	<u>\$55,188,962.44</u>	<u>\$8,949,259.48</u>	<u>\$46,239,702.96</u>	<u>\$14,787,832.76</u>	<u>\$979,488.16</u>	<u>\$30,472,382.04</u>
LIABILITIES:						
Accounts payable:						
Bonds due July 1, 1941.....	\$ 3,300,000.00	\$2,600,000.00	\$ 700,000.00	\$ 700,000.00	.....	.....
Bond interest due July 1, 1941.....	2,275,436.25	1,909,970.00	365,466.25	365,466.25	.....	.....
	<u>\$ 5,575,436.25</u>	<u>\$4,509,970.00</u>	<u>1,065,466.25</u>	<u>\$ 1,065,466.25</u>	.....	.....
Less, bonds and interest due July 1, 1941, included in 1941-42 budget..	2,185,436.25	1,119,970.00	1,065,466.25	1,065,466.25	.....	.....
Balance in 1940-41 budget..	\$ 3,390,000.00	\$3,390,000.00	.....	.....	.....	.....
Contracts, purchase orders, etc.....	2,893,073.00	1,415,968.60	1,477,104.40	1,406,419.20	\$ 14,698.04	\$ 55,987.16
Total accounts payable.....	\$ 6,283,073.00	\$4,805,968.60	\$ 1,477,104.40	\$ 1,406,419.20	\$ 14,698.04	\$ 55,987.16
Interfund accounts (contra).....	5,367,768.22	1,277,741.11	4,090,027.11	4,016,785.92	57,757.22	15,483.97
Trust and assessment funds.....	30,400,910.91	.....	30,400,910.91	.....	.....	30,400,910.91
Taxes collected for year 1941-42.....	1,582,063.72	.....	1,582,063.72	1,582,063.72	.....	.....
	<u>\$43,633,815.85</u>	<u>\$6,083,709.71</u>	<u>\$37,550,106.14</u>	<u>\$ 7,005,268.84</u>	<u>\$ 72,455.26</u>	<u>\$30,472,382.04</u>
SURPLUS:						
Unappropriated balances .....	\$ 3,738,125.91	\$ 342,817.72	\$ 3,395,308.19	\$ 2,638,708.91	\$756,599.28	.....
Unencumbered appropriations .....	4,559,428.48	2,522,732.05	2,036,696.43	1,886,262.81	150,433.62	.....
Cash reserve (Section 81 of Charter).....	3,257,592.20	.....	3,257,592.20	3,257,592.20	.....	.....
	<u>\$11,555,146.59</u>	<u>\$2,865,549.77</u>	<u>\$ 8,689,596.82</u>	<u>\$ 7,782,563.92</u>	<u>\$907,032.90</u>	.....
	<u>\$55,188,962.44</u>	<u>\$8,949,259.48</u>	<u>\$46,239,702.96</u>	<u>\$14,787,832.76</u>	<u>\$979,488.16</u>	<u>\$30,472,382.04</u>

\$2,600,000.00	\$	700,000.00	365,466.25	1,909,970.00	\$4,509,970.00	1,119,970.00	\$3,390,000.00	1,415,968.60	\$4,805,968.60	1,277,741.11	30,400,910.91	1,582,063.72	\$7,005,268.84	\$72,455.26	\$30,472,382.04
1,909,970.00		365,466.25	365,466.25	1,909,970.00	1,065,466.25	1,065,466.25	1,065,466.25	1,477,104.40	\$1,477,104.40	4,090,027.11	4,016,785.92	1,582,063.72	7,005,268.84	72,455.26	30,472,382.04
\$2,600,000.00	\$	700,000.00	365,466.25	1,909,970.00	1,065,466.25	1,065,466.25	1,065,466.25	1,477,104.40	\$1,477,104.40	4,090,027.11	4,016,785.92	1,582,063.72	7,005,268.84	72,455.26	30,472,382.04
1,909,970.00		365,466.25	365,466.25	1,909,970.00	1,065,466.25	1,065,466.25	1,065,466.25	1,477,104.40	\$1,477,104.40	4,090,027.11	4,016,785.92	1,582,063.72	7,005,268.84	72,455.26	30,472,382.04
\$2,600,000.00	\$	700,000.00	365,466.25	1,909,970.00	1,065,466.25	1,065,466.25	1,065,466.25	1,477,104.40	\$1,477,104.40	4,090,027.11	4,016,785.92	1,582,063.72	7,005,268.84	72,455.26	30,472,382.04

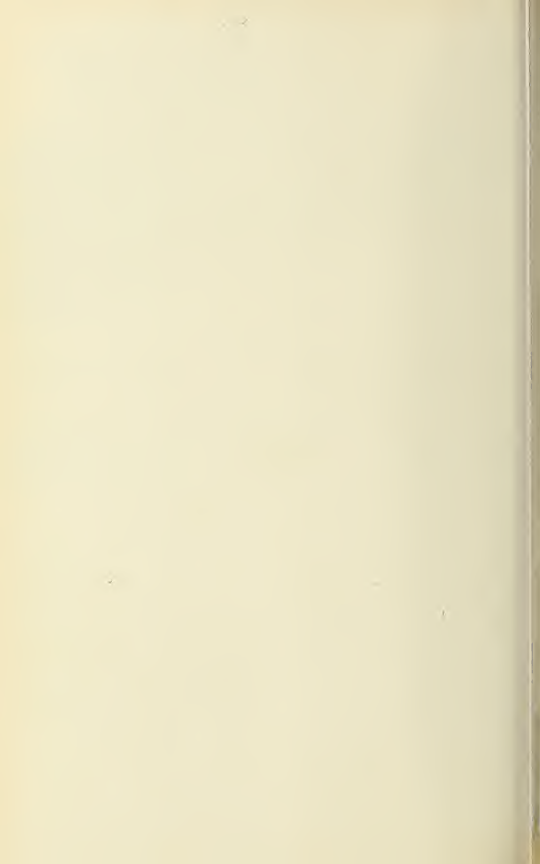




CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CURRENT FUNDS BALANCE SHEET, June 30, 1941

LIABILITIES AND SURPLUS

NAME OF FUND		Accounts Payable	Interfund Accounts	Taxes for 1941-42	Unappropriated Balances	Unencumbered Appropriations	Cash Reserves
\$1,156,854.02	Available Cash	\$2,174,927.23	\$693,967.38	\$1,453,103.18	\$397,572.78	28,106.23	
743,927.68	155,165.10	162,679.20	40,003.58	497,405.12	14,334.60		
116,148.98	23,962.90	89,675.03	148,959.88	4,946.67			
23,560.18	9,345.39	23,569.45	32,905.57				
86,986.39	13,756.29	58,958.41	100,757.68	4,213.52	12,721.54		
431,309.91	523,734.97	105,171.75	1,045,713.68	768,081.62	93,749.44		
1,785.60	1,647.66	1,568.95	3,433.26		69.12		
1,470.30	1,954.99	2,311.24	3,425.29				
50,519.46	6,515.62	30,384.55	57,035.08		1,878.35		
38,566.12	1,831.25		40,397.37	40,397.37			
1,891.30		278.05	1,891.30		1,613.25		
49,604.46	455.24	38.69	50,059.70		50,021.01		
23,373.84	2,024.44	17,270.43	25,448.28		5,553.62		
97,769.79	200,430.50	16,500.00	298,200.29		281,700.29		\$3,257,592.20
2,315,321.56	2,040,579.22	1,098,308.58	4,355,900.78				
40,080.61	620.28	40,700.89	40,700.89				
1,236,975.38	161,427.70	76,976.88	1,398,403.08	117,605.47	944,786.74		
12,355.48			12,355.48		359.14		
359.14			359.14				
1,086.99			1,086.99		1,086.99		
171,640.94	390.23		171,250.71	171,250.71			
103,235.58			103,235.58		103,235.58		
167,930.42			167,930.42		167,930.42		
1,582,063.72			1,582,063.72	\$1,582,063.72			
7,604.11	128.78	7,732.89	7,732.89				
113,703.99	113,703.99						
88,761.95	144,844.59		233,606.54	148,606.54			
	41,853.30		118,360.10		41,800.36		
	80.24		80.24				
\$7,779,274.02			\$14,787,832.76		\$1,886,262.81		\$3,257,592.20



CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
CAPITAL FUNDS BALANCE SHEET, June 30, 1941

ASSETS		NAME OF FUND		LIABILITIES AND SURPLUS	
Available Cash	\$ 4,783.90	Bernal Cut .....	\$ 4,783.90	Accounts Payable	\$ 3,163.05
Total	\$ 4,783.90			Interfund Accounts	\$ 2,990.00
				Unappropriated Balances	\$ 78.35
				Unencumbered Appropriations	\$ 1,542.50
148,382.27	148,382.27	1927	Boulevards .....	1,918.00	1,918.00
7,985.35	7,985.35	1929	Hospitals .....	7,985.35	7,985.35
3,497.34	3,497.34	1929	Sewers .....	3,497.34	3,497.34
2,159.58	2,159.58	1931	Parks and Squares .....	2,159.58	2,159.58
23,238.26	23,238.26	1933	Sewers .....	488.10	488.10
68.59	68.59	1933	High Pressure System .....	68.59	68.59
28,614.94	28,614.94	1938	Hospitals .....	3,595.87	3,595.87
700,154.05	700,154.05	1938	Schools .....	700,154.05	700,154.05
51,767.59	51,767.59		P.W.A. Schools .....	51,171.35	51,171.35
8,836.29	8,836.29		Land Purchases .....	8,072.14	8,072.14
\$979,488.16	\$979,488.16			\$57,757.22	\$57,757.22
				\$756,599.28	\$756,599.28
				\$150,433.62	\$150,433.62





# FOLDOUT

CITY AND COUNTY OF SAN FRANCISCO  
GENERAL CITY AND COUNTY  
TRUST AND ASSESSMENT FUNDS BALANCE SHEET, June 30, 1941

ASSETS				NAME OF FUND				LIABILITIES																															
Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Total	Private Trusts:	Special Permits	Street Improvement	Excavation	House Moving	Special Badges	County Clerk Special	County Clerk Bail	Municipal Court Special	Municipal Court Bail	Realty Deposits	Absent Heirs	Absent Creditors	Duplicate Taxes	Twin Peaks Tunnel Refunds	Sunset Tunnel Refunds	Coroner's Unclaimed Money	Adult Probation Officer	School Teachers' Sabbatical Leave	Jail Stores Deposits	Library Card Deposits	Juvenile Court Deposits	California Palace Legion of Honor	De Young Memorial Museum	Police Department Deposits	Health Service	Electrical Deposits	Automobile Badges	Traffic Court Suspense	Total	Accounts Payable	Interfund Accounts	Unapplied Balances		
\$ 42,464.00			\$ 42,464.00	42,464.00		42,464.00	895.21	774.50	800.00	450.00	103,655.88	42,301.33	10,531.95	29,399.37	3,695.00	6,472.73	3,035.56	21,512.79	18,791.68	11,817.49	6,294.44	10,765.56	6,459.93	7,570.98	175.06	5,148.43	501.03	4.52	788.50	84,616.35	18,400.00	119.35	4,792.00	442,233.64	\$ 2,551.34	\$ 219.08	\$ 439,463.22		

Assessment and Redemption Funds:

Private Trusts:	Total	Accounts Payable	Interfund Accounts	Unapplied Balances
Special Permits	42,464.00	\$ 1,340.00		\$ 41,124.00
Street Improvement	895.21			895.21
Excavation	774.50			774.50
House Moving	800.00	300.00		500.00
Special Badges	450.00			450.00
County Clerk Special	103,655.88			103,655.88
County Clerk Bail	42,301.33			42,301.33
Municipal Court Special	10,531.95			10,531.95
Municipal Court Bail	29,399.37			29,399.37
Realty Deposits	3,695.00			3,695.00
Absent Heirs	6,472.73			6,472.73
Absent Creditors	3,035.56			3,035.56
Duplicate Taxes	21,512.79	768.73		20,744.06
Twin Peaks Tunnel Refunds	18,791.68			18,791.68
Sunset Tunnel Refunds	11,817.49			11,817.49
Coroner's Unclaimed Money	6,294.44			6,294.44
Adult Probation Officer	10,765.56			10,765.56
School Teachers' Sabbatical Leave	6,459.93			6,459.93
Jail Stores Deposits	7,570.98	42.61		7,528.37
Library Card Deposits	175.06	5.00		170.06
Juvenile Court Deposits	5,148.43			5,148.43
California Palace Legion of Honor	501.03			501.03
De Young Memorial Museum	4.52			4.52
Police Department Deposits	788.50	95.00		693.50
Health Service	84,616.35			84,397.27
Electrical Deposits	18,400.00			18,400.00
Automobile Badges	119.35			119.35
Traffic Court Suspense	4,792.00			4,792.00
\$ 442,233.64	\$ 2,551.34	\$ 219.08		\$ 439,463.22

(Continued)

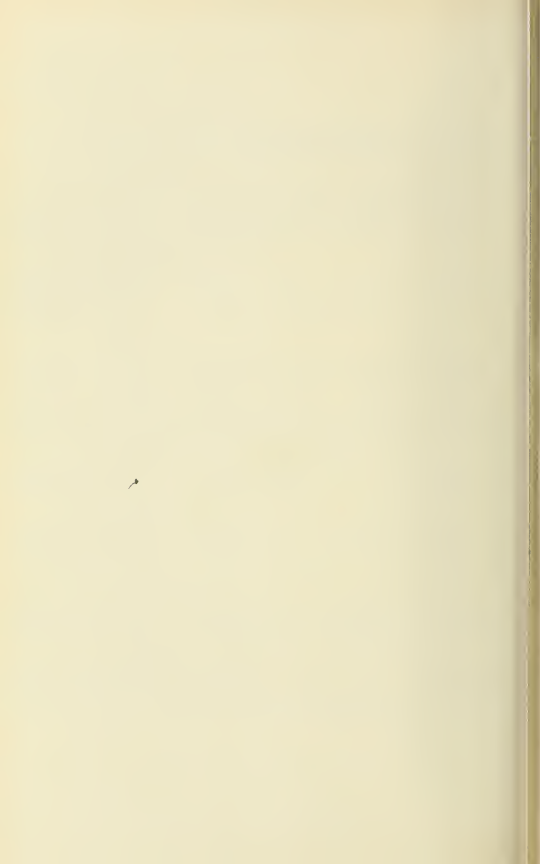


## NAME OF FUND

Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Total	Public Trusts:	Employees' Retirement System	Total	Accounts Payable	Interfund Accounts	Unapplied Balances
\$ 215,976.00	\$427,658.71	\$28,557,631.74	\$23,371.27	\$29,224,637.72			\$29,224,637.72		\$ 1,546.65	\$29,223,091.07
12,185.19	840.00	42,000.00		55,025.19	Robinson		55,025.19			55,025.19
382.50	22.50	978.75		1,383.75	Olsen		1,383.75			1,383.75
6,602.05	450.00	15,946.95		22,999.00	Windel		22,999.00			22,999.00
7,224.64	45.00	2,072.86		9,342.50	Marx		9,342.50			9,342.50
2,371.29	112.50	5,379.01		7,862.80	Herzstein		7,862.80			7,862.80
18,475.88	270.83	13,628.74		32,375.45	Sharp	\$13,035.31	32,375.45			19,340.14
5,150.98				5,150.98	Phelan		5,150.98			5,150.98
88,394.97	345.83	84,132.25		172,874.05	Strybing	7,345.01	172,874.05			165,529.04
1,077.64		94.25		1,171.89	Brunetti		1,171.89			1,171.89
70.81				70.81	Pallon		70.81			70.81
3,134.52	2,778.83			5,913.35	McLean		5,913.35			5,913.35
245.02				245.02	War Memorial		245.02			245.02
3,620.00				3,620.00	Infantile Paralysis		3,620.00			3,620.00
141,632.50	7,000.00			148,632.50	State Highway	29,560.00	148,632.50			2,620.00
105.10	145.62	15,405.00		15,655.72	Panama Pacific Exposition Scholarship		15,655.72			105,563.65
244.39				244.39	P.W.A. Exposition Shoals		244.39			15,655.72
11,756.52				11,756.52	John McLaren Memorial		11,756.52			244.39
2,500.00				2,500.00	William C. Ralston Memorial	2,500.00	2,500.00			11,756.52
436.86				436.86	De Young Museum French Paintings		436.86			436.86
10,000.00				10,000.00	Union Square Garage		10,000.00			10,000.00
\$ 531,586.86	\$429,669.82	\$28,737,270.55	\$23,371.27	\$29,731,898.50	Other Trust and Assessment Funds:		\$29,731,898.50	\$52,440.32	\$15,055.50	\$29,664,402.68
1,850.51				1,850.51	State of California (sales and use tax)	\$ 995.50	1,850.51			855.01
142,572.20				142,572.20	Inheritance Taxes		142,572.20			142,572.20
6,694.80				6,694.80	School Teachers' Permanent Fund		6,694.80			6,694.80
2,256.00				2,256.00	Law Library		2,256.00			2,256.00
74.80		\$ 80.24		155.04	Golden Gate Bridge and Highway District		155.04			155.04
934.51				934.51	Consumers' Use Taxes		934.51			934.51
98.11				98.11	Teachers' Annuity Deposit		98.11			98.11
2,504.66				2,504.66	State Fund—County Fair		2,504.66			2,504.66
163.00				163.00	Isais Creek Reclamation District		163.00			163.00
77,042.53				77,042.53	Assessment		77,042.53			77,042.53
31,115.20				31,115.20	General		31,115.20			31,115.20
20,000.00				20,000.00	Interest		20,000.00			20,000.00
\$ 285,306.32			\$ 80.24	\$ 285,386.56	Redemption		285,386.56	\$ 995.50	\$15,483.97	\$ 284,391.06
\$1,271,179.59	\$440,27									

CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC SERVICE ENTERPRISES  
FUNDS BALANCE SHEET, June 30, 1941

ASSETS				NAME OF FUND				LIABILITIES AND SURPLUS			
Cash	Accounts Receivable	Interfund Accounts	Total	Current funds:				Total			
				Municipal Railway:							
\$ 640,979.75	\$ 10,340.81	\$ 7,165.10	\$ 658,485.66	Operating .....	\$ 658,485.66	\$ 172,699.01	\$ 63,822.47	\$ 113,650.45	\$ 308,313.73		
309,584.93	.....	55,000.00	364,584.93	Reconstruction and Replacement .....	364,584.93	38,196.49	14,433.00	55,000.00	256,955.44		
218,318.98	.....	.....	218,318.98	Surplus .....	218,318.98	.....	.....	.....	218,318.98		
				Water Department:							
143,664.49	510,676.37	285,834.50	940,175.36	Revenue .....	940,175.36	113,163.29	679,423.80	5,855.10	141,733.17		
176,043.88	.....	.....	176,043.88	Reconstruction and Replacement .....	176,043.88	.....	5,000.00	856.86	170,187.02		
559,330.74	.....	98,357.33	657,688.07	Extension Reserve .....	657,688.07	101,125.32	103,683.75	1,341.58	451,537.42		
.....	.....	135,680.00	135,680.00	Surplus .....	135,680.00	.....	.....	.....	135,680.00		
				Hetch Hetchy:							
77,187.57	214,386.06	149,108.41	440,682.04	Operating .....	440,682.04	12,131.75	333,982.97	37,120.47	57,446.85		
289,975.32	.....	.....	289,975.32	Reconstruction and Replacement .....	289,975.32	4.17	4,503.00	3,370.86	282,097.29		
21,349.06	12,910.36	.....	34,259.42	Airport .....	34,259.42	2,614.53	2,223.25	28,589.87	831.77		
44,887.57	.....	9,500.00	54,387.57	Public Utilities Commission .....	54,387.57	1,639.94	25,879.84	14,010.40	12,857.39		
3,390,000.00	.....	.....	3,390,000.00	Bond Interest and Redemption .....	3,390,000.00	3,390,000.00	.....	.....	.....		
\$5,871,322.29	\$748,313.60	\$740,645.34	\$7,360,281.23	Capital funds:	\$7,360,281.23	\$3,831,574.50	\$1,232,952.08	\$259,795.59	\$2,035,959.06		
5,815.95	.....	.....	5,815.95	1933 Water Distribution .....	5,815.95	.....	.....	\$ 5,815.95	.....		
49,835.55	.....	.....	49,835.55	Land Purchase .....	49,835.55	15.00	.....	\$ 49,225.98	594.57		
90,769.55	.....	.....	90,769.55	1932 Hetch Hetchy .....	90,769.55	950.00	25,816.68	20,645.17	43,357.70		
2,891.55	.....	.....	2,891.55	1933 Hetch Hetchy Dam .....	2,891.55	.....	.....	.....	2,891.55		
1,302.50	.....	.....	1,302.50	Land Purchase .....	1,302.50	.....	.....	1,302.50	.....		
474,904.60	\$ 2,408.98	.....	477,313.58	1938 Airport .....	477,313.58	106,737.15	10,300.00	6,032.53	354,243.90		
801,769.63	.....	.....	801,769.63	Improvement (Hearing .....	801,769.63	710,584.36	5,500.00	.....	85,685.27		
\$1,427,289.33	\$ 2,408.98	.....	\$1,429,698.31	Trust funds:	\$1,429,698.31	\$18,286.51	\$ 41,616.68	\$ 83,022.13	\$ 486,772.99		
\$ 159,279.94	.....	.....	\$ 159,279.94	Water Department Deposits .....	\$ 159,279.94	\$ 156,107.59	\$ 3,172.35	.....	.....		
\$7,457,891.56	\$750,722.58	\$740,645.34	\$8,949,259.48		\$8,949,259.48	\$4,805,968.60	\$1,277,741.11	\$342,817.72	\$2,522,732.05		



**Treasurer's Office**  
**Report on Examination of Accounts**  
**For the Fiscal Year Ended June 30, 1941**

(Wherever italic figures appear in this Report, they indicate red figures)





**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

September 15, 1941.

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

**TREASURER'S OFFICE**

**Report of Annual Audit—June 30, 1941**

Dear Sir:

In accordance with your instructions and pursuant to the provisions of Charter Section 66, an audit was made of the Treasurer's Office for the fiscal year ended June 30, 1941, as hereinafter reported. As directed by you, two reports have been prepared of this audit, as follows:

- (1) One report for publication in the Controller's Annual Report for the fiscal year ending June 30, 1941, the text of which follows.
- (2) One report substantially identical with the above, supplemented by twelve detailed schedules and an appendix containing a digest of changes in laws affecting the Treasurer. This report was distributed to City Officials, the Grand Jury, the press and to the certified public accounting firms engaged this year by the City and County of San Francisco.

**Scope of Audit**

The scope of the audit covered an examination of accounts of money received and disbursed by the Treasurer during the fiscal year. In view of the existing method of internal check maintained in the Treasurer's office, and the method of internal check and continuous audit of receipts and disbursements maintained by the Controller's office which has as a basis a separate independent examination, a detailed audit of receipts and disbursements during the period was not included within the scope of this examination.

Cash on hand was verified June 30, 1941, by actual count. Cash in banks was reconciled with the Treasurer's records and confirmed direct to this office by the several depositories.

Securities and other assets in the Treasurer's custody on June 30, 1941, were verified by examination as hereinafter reported.

Revenues and expenditures in connection with the operation of the Treasurer's office during the fiscal year were verified and confirmed against the Controller's records.

Mr. David Supple, Consultant to the Grand Jury, participated in this examination.

**Summary**

A resumé of transactions during the fiscal year as reflected by the audit, is as follows:

Cash on hand, June 30, 1941.....	\$ 20,078,260.71
Cash received during fiscal year.....	82,486,108.99
Cash disbursed .....	81,788,702.93
Total cash handled.....	164,274,811.92
Interfund and departmental accounts.....	110,747,587.22
Interest earned on inactive deposits.....	41,437.62
Tax anticipation notes sold and redeemed.....	7,000,000.00
Inheritance tax collected.....	1,666,958.41
Commissions and fees earned for the collection of inheritance tax .....	12,979.72

The collection of inheritance tax is a State function; the commissions and fees earned are deposited to the credit of the general fund of the city and county.

The operation of P.W.A. accounts are under the supervision of and subject to audit by the Federal Government. Funds on hand with the Treasurer are deposited with the Bank of America in separate bank accounts.

Reconciliation of the Treasurer's balances with the Controller's records reflect balances in the project accounts to be as follows on dates indicated:

	1940-1941	1939-1940
1933 Sewer .....	\$ 23,238.26	\$ 31,581.02
1933 High Pressure.....	68.59	68.59
1938 Hospital .....	28,900.69	515,333.28
School Docket No. 1578.....	51,852.41	1,810,419.64
Shoals .....	244.39	275.47
Hetch Hetchy Dam 1933.....	22,891.55	24,700.16
Water Distribution 1933.....	5,939.18	5,939.18
Total .....	<u>\$133,135.07</u>	<u>\$2,388,317.34</u>

Effective July 1, 1941, the Treasurer, pursuant to authority granted by Bill No. 1233, Ordinance No. 1184, approved by the Mayor May 20, 1941, entered into a new agreement with the National City Bank of New York—as fiscal agent for the City and County of San Francisco—for the purpose of providing for the payment in the City of New York of the principal and interest due upon outstanding bonds issued by the City and County of San Francisco. The new procedure differs from the procedure in effect prior to July 1, 1941, principally in the following respects:

- (1) Eliminates the deposit of City and County funds with the fiscal agent.
- (2) Provides for current clearance to the Treasurer of bonds and coupons paid by the fiscal agent.
- (3) Requires performance bond of the fiscal agent at option of Treasurer.
- (4) Provides compensation to the fiscal agent for services rendered.

During the fiscal year the Fiscal Agent paid \$3,636,800.00 in bond redemption and \$3,077,373.75 in bond interest.

Based upon transactions with the fiscal agent for the fiscal year ended June 30, 1941, it is estimated that the operation of the new procedure will not result in additional costs to the City and County.

Revenues and expenditures of the Treasurer's office for the fiscal year under review are compared with the preceding fiscal year as follows:

	1940-1941	1939-1940
Revenues .....	\$54,417.34	\$65,576.01
Expenditures .....	56,877.69	55,096.34
Expenditures in excess of revenues.....	<u>\$ 2,460.35</u>	
Revenues in excess of expenditures.....		<u>\$10,479.67</u>

The decline in revenue is principally due to decrease in interest earned on funds deposited in inactive accounts. Although interest rates during the fiscal year 1940-1941 were the same as during the preceding year (1 per cent per annum on daily balances in inactive accounts) the Treasurer reports that the deposit of funds at interest has become increasingly more difficult.

The interest rate of 1 per cent per annum on inactive deposits, prescribed by Section 1 of Act 2834a (Public Deposit Act) was reduced to one-half of 1 per cent by Senate Bill 685, Chapter 342, passed by the Legislature as an emergency measure and approved by the Governor May 24, 1941.

The Treasurer's office is the depository of funds of the Islais Creek Reclamation District. An audit of the records pertaining to the Islais Creek Reclamation District and the several bequest and trust funds as such were not included within the scope of this assignment.

The records maintained in the Treasurer's office appear to be in excellent condition. All information desired was made available through the courtesy and cooperation of the Treasurer's staff during the course of the audit.

Cash and securities for which the Treasurer was accountable and for which he accounted as at June 30, 1941, and June 30, 1940, are summarized as follows:

## SUMMARY OF CASH AND SECURITIES IN CUSTODY

As at June 30

CASH:	1941	1940
Cash on hand.....	\$ 246,976.10	\$ 650,708.03
Bank Balances .....	18,480,316.89	14,969,593.36
Fiscal Agent (New York).....	122,926.25	3,415,200.00
Available Cash .....	\$18,850,219.24	\$19,035,501.39
Other Cash Items.....	943,652.25	164,407.82
Cash Received after June 30 applied to prior year .....	284,389.22	180,945.44
<b>TOTAL CASH .....</b>	<b>\$20,078,260.71</b>	<b>\$19,380,854.65</b>
<b>SECURITIES (Par Value):</b>		
Collateral on Bank Balances.....	\$23,282,000.00	\$22,296,000.00
Employees' Retirement Fund Bonds.....	25,945,175.00	24,226,787.50
Bequest Securities .....	102,000.00	102,000.00
Trust Fund Securities.....	15,000.00	15,000.00
<b>TOTAL SECURITIES .....</b>	<b>\$49,344,175.00</b>	<b>\$46,639,787.50</b>
<b>TOTAL CASH AND SECURITIES.....</b>	<b>\$69,422,435.71</b>	<b>\$66,020,642.15</b>

## I. AUTHORITY

The Treasurer's office is conducted under the provisions of the Federal Reserve Act of 1935, as amended, effective August 23, 1937; the provisions of the laws of the State of California, the City and County Charter, and ordinances and resolutions of the Board of Supervisors.

Laws governing the operation of the Treasurer's office are outlined in previous annual audit reports. Changes and additions thereto during the fiscal year 1940-1941 are included in the appendix of the report with schedules filed concurrently with this report.

## II. CASH—\$20,078,260.71

Cash was verified at the close of business June 30, 1941. Reconciliation was made with the amount charged to the Treasurer by the Controller on that date as follows:

## CASH ON HAND:

1. Coin and Currency.....	\$ 148,339.67	
2. Checks .....	51,136.43	
Total Cash on Hand.....		\$ 199,476.10

## CASH ON DEPOSIT:

3. Bank Balances (State Law Loans).....	\$18,480,316.89	
4. Fiscal Agent—New York.....	122,926.25	
Total Cash on Deposit.....		18,603,243.14

## OTHER CASH ITEMS:

5. U. S. Bonds—Bail.....		39,300.00
6. City and County Warrant.....		47,500.00
7. City and County Matured Bonds.....	5,300.00	
City and County Matured Coupons.....	369.25	
City and County Registered Interest.....	214,226.75	

Total—Matured and Paid Bonds and  
Coupons on hand June 30, 1941.... 219,896.00

8. City and County Bonds.....	\$ 321,100.00	
City and County Coupons.....	363,356.25	

Total—Matured Bonds and Coupons on  
hand with Fiscal Agent..... 684,456.25

<b>TOTAL CASH AND CASH ITEMS COUNTED— JUNE 30, 1941.....</b>		<b>\$19,793,871.49</b>
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<b>TOTAL CASH AND CASH ITEMS COUNTED—</b>	
JUNE 30, 1941 (Brought forward).....	\$19,793,871.49
9. Cash received after June 30, 1941—applied to fiscal year 1940-1941.....	284,389.22
<b>TOTAL CASH AND CASH ITEMS ON HAND—</b>	
JUNE 30, 1941.....	<u>\$20,078,260.71</u>
<b>BALANCE PER CONTROLLER'S RECORDS—</b>	
JUNE 30, 1941.....	<u>\$20,078,260.71</u>

The following reconciliation of the amount of outstanding warrants as reflected in the Controller's general ledger June 30, 1941, was prepared by the Controller's Division of Accounts and Reports:

Outstanding warrants per Controller's general ledger. \$1,698,308.38

Reconciliation of the Controller's available cash and outstanding items recorded in the general ledger as at June 30, 1941, and the Treasurer's balance of cash on hand on that date is as follows:

Per Controller's General Ledger:

Available Cash .....	\$17,487,833.33
Outstanding Items .....	2,590,427.38
Total .....	<u>\$20,078,260.71</u>

Treasurer's Cash on Hand June 30, 1941.....\$20,078,260.71

Outstanding items indicated above are included in the following:

	Coupons	Bonds	Warrants	Total
General City .....	\$225,651.50	\$341,000.00	\$1,365,439.34	\$1,932,090.84
Public Service Enterprises .....	258,667.50	66,800.00	332,869.04	658,336.54
Total .....	<u>\$484,319.00</u>	<u>\$407,800.00</u>	<u>\$1,698,308.38</u>	<u>\$2,590,427.38</u>

### 1. Coin and Currency—\$148,339.67

Coin and Currency were verified by actual count.

### 2. Checks—\$51,136.43

Examination indicated that all checks on hand were current and received in the usual order of business during the day. The Treasurer's order prohibiting the cashing of personal checks appeared to be effective.

Checks on hand June 30, 1941, in the amount of \$51,136.43, reflected above, were deposited July 1, 1941, as evidenced by deposit receipts No. 4725 and 3297.

### 3. Bank Balances (State Law Loans)—\$18,480,316.89

Cash on deposit in banks at the close of business June 30, 1941, was reconciled with the Treasurer's balances and confirmed direct by the several depositories. Schedule A-1 of the report with schedules indicates the balances of each account, per bank confirmation, as at June 30, 1941, and their status with respect to Public Deposit Act.

Examination of the Treasurer's copies of agreements covering the deposit of public funds disclosed that the provision of Section 1 of Act 2834a, to the effect that "... no such agreement shall provide for the deposit of any of said moneys for a longer period than one year ..." was incorporated in all agreements covering inactive accounts, but was deleted from agreements covering active accounts maintained with the American Trust Company, Anglo-California National Bank and Wells Fargo Bank. According to the Treasurer, the City Attorney orally ruled that this provision does not apply to active deposits.

The examination further disclosed that all deposit agreements were signed by the Treasurer and approved by the City Attorney.

#### 4. Fiscal Agent—New York—\$122,926.25

This amount was confirmed direct by communication dated July 1, 1941, from the National City Bank of New York to be on deposit at the close of business June 30, 1941, and was reconciled with the Treasurer's balance of that date.

The authority of the Treasurer to appoint a fiscal agent and to deposit moneys with said agent necessary for the payment of principal and interest on bonds of the city and county is contained in General Laws, Act 2834a, Sec. 1.

Bill No. 9523, Ordinance No. 9102 (NS) amended by Bill No. 1417, Ordinance No. 9.0243, approved August 24, 1937, designates the National City Bank of New York as the Fiscal Agent of the City and County of San Francisco. In lieu of collateral this ordinance provides that the Treasurer may exact a surety bond to protect amounts on deposit; premiums to be paid by the City and County of San Francisco.

Surety bonds were in force as hereinafter reported.

Bill No. 1233, Ordinance No. 1184, approved by the Mayor, May 20, 1941, repeals Ordinance No. 9102 (NS) and provides a new procedure, effective July 1, 1941, for the payment of matured bonds and coupons of the City and County of San Francisco in the City of New York by the New York Fiscal Agent—National City Bank. Copy of the ordinance is included in the appendix of the report with schedules.

#### 5. U. S. Bonds (Bail Bonds)—\$39,300.00

Bail bonds examined and counted at the close of business June 30, 1941, were verified against the Controller's records and summarized as follows:

County Clerk—Bail .....	\$22,250.00
County Clerk—Special Bail.....	50.00
Municipal Court—Bail .....	17,000.00
Total .....	<u>\$39,300.00</u>

#### 6. City and County Warrant—\$47,500.00

Controller's Warrant No. 2015, dated June 27, 1941, in the amount of \$47,500.00, was deposited June 30, 1941, by H. A. van der Zee, County Clerk, to the County Clerk Special Account. The warrant was drawn on the State Highway Public Trust Fund, to provide funds for the acquisition of property described in Resolution No. 1779 (1939 Series), adopted April 28, 1941.

#### 7. Matured Bonds, Coupons, and Registered Interest of the City and County of San Francisco—\$219,896.00

The above is represented by:

Employees' Retirement System.....	\$ 5,669.25
Matured bonds and coupons received June 30, 1941, as a deposit.	
Registered Interest .....	214,226.75

This amount represents uncleared interest payments to registered City and County bond holders by Treasurer's check. The payments are evidenced by pre-cancelled matured interest coupons which are transferred to the Controller when cleared. The Treasurer clears these items periodically subsequent to the clearance of his checks by the bank. Clearance of these items subsequent to the date of the cash count were verified as follows:

Cleared to the Controller July 9, 1941.....	\$ 6,371.25
Cleared to the Controller August 28, 1941..	206,735.50
Total Cleared .....	\$213,106.75
Uncleared August 28, 1941.....	1,120.00
Total Registered Interest.....	<u>\$214,226.75</u>

## 8. Matured and Paid Bonds and Coupons on Hand With the Fiscal Agent—\$684,456.25

Matured bonds and coupons of the City and County of San Francisco in the total par value of \$684,456.25 were reported as paid and on hand June 30, 1941, by the New York Fiscal Agent—National City Bank. Charge slips from the bank on file in the Treasurer's office indicated the amount outstanding to be as follows:

Bonds .....	\$321,100.00
Coupons .....	363,356.25
Total (Cleared July 29, 1941) .....	<u>\$684,456.25</u>

On July 29, 1941, the above bonds and coupons were cleared to the Controller by the Controller's Division of Accounts and Reports. The clearance of the above bonds and coupons and the withdrawal of the balance on deposit with the National City Bank of New York in the amount of \$122,926.25 closed the account with the New York Fiscal Agent as at June 30, 1941, in accordance with procedure prescribed by Bill No. 1233, Ordinance No. 1184.

## 9. Cash Received After June 30, 1941, and Applied to Fiscal Year 1940-41—\$284,389.22

This amount represents collections made by various departments of the City and County prior to the close of business, June 30, 1941, and deposited with the Treasurer July 1, 2 and 3, 1941. The amount includes \$205,586.09, representing Unsecured Personal Property Tax collections deposited by the Assessor; \$29,657.69 received from the San Francisco Water Department for Water Revenue and \$49,145.44 deposited by other departments.

## III. SECURITIES—\$49,344,175.00

All securities in the custody of the Treasurer were examined and verifications were made as hereinafter reported. The total par value of securities with which the Treasurer was chargeable as at June 30, 1941, is summarized as follows:

### Charged to the Treasurer by the Controller:

1. Employees' Retirement System Bonds ..	\$25,945,175.00
2. Bequest Fund Bonds .....	102,000.00
3. Trust Fund Bonds .....	<u>15,000.00</u>

Total charged by the Controller....	\$26,062,175.00
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### Not charged to the Treasurer by the Controller:

4. Collateral (Confirmed direct by Depositors) .....	<u>23,282,000.00</u>
Total in custody June 30, 1941 .....	<u>\$49,344,175.00</u>

## 1. Employees' Retirement System Bonds—\$25,945,175.00 Par Value

These securities are held in a joint custody vault of the Treasurer and Controller. Verification was made as at June 30, 1941, in conjunction with representatives of Peat, Marwick, Mitchell & Company, engaged as auditors of the Employees' Retirement Fund.

Prior to each interest collection date, maturing bonds and coupons were examined and checked by the Controller's General Office, and released to the Treasurer for collection. A report reflecting each monthly collection was transmitted to the Employees' Retirement Board, as requested in a memorandum dated August 8, 1933, from Mr. Ralph Nelson, Secretary-Actuary.

The total par value of bonds held in the joint custody vault, June 30, 1941, was verified against the Controller's records and schedule of bonds submitted by the Employees' Retirement Board.

Transactions during the fiscal year are summarized as follows:

*Par Value Bonds:*

On hand July 1, 1940.....	\$24,226,787.50
Purchased during the fiscal year 1940-1941.....	2,691,000.00
	<u>\$26,917,787.50</u>
Matured during 1940-1941.....	\$149,112.50
Called during 1940-1941.....	823,500.00
	<u>972,612.50</u>
On hand June 30, 1941.....	<u>\$25,945,175.00</u>

*Interest:*

Earned on investment during 1940-1941.....	\$ 1,128,314.22
Interest accrued on bonds at time of purchase.....	27,759.92
	<u>\$ 1,156,074.14</u>
Interest received during the fiscal year per Controller's records .....	<u>\$ 1,156,074.14</u>

*Premium:*

Premium received on bonds called during the fiscal year 1940-1941 .....	<u>\$ 23,447.50</u>
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**2. Bequest Fund Bonds—\$102,000.00**

Bonds in the total par value of \$102,000.00 and the coupons attached thereto were examined and verified against the Controller's records. The bonds and other assets in which the funds of the several bequests are invested are held in the joint custody vault of the Treasurer and Controller.

**3. Trust Fund Securities—\$15,000.00**

Panama Pacific Exposition Trust Fund bonds in a total par value of \$15,000.00 and the coupons attached thereto were examined and the total compared with the Controller's records. These bonds are held in the joint custody vault of the Treasurer and Controller.

**4. Collateral Securities—\$23,282,000.00**

Bonds submitted by the several depositaries are held by the Treasurer as collateral for loan balances pursuant to the provisions of Act 2834a, Section 4, General Laws. All bonds and coupons attached were examined, scheduled, and confirmed direct to the Controller by the several depositaries.

All bonds on hand conformed to the requirements of Act 2834a, Section 4, General Laws—1937.

Section 4 and 5 of that act are quoted in part as follows:

"Such securities shall be approved by the Treasurer and the attorney of . . . political subdivision to an amount in market value at least 10 per cent in excess of the amount of deposit with such bank or banks. . . . Such security or any part thereof may be withdrawn or released on the written consent of such Treasurer, and the attorney . . . of the political subdivision."

The market value of the collateral was more than 10 per cent in excess of the amount on deposit.

Examination of agreements pertaining to the deposit of county funds and of written consents for the release and exchange of securities disclosed that they were approved by the Treasurer and the City Attorney and that the procedure followed conformed to the statutory requirements.

The Treasurer maintains a file of bank authorizations. The authorizations reflect the name, signature and specific authority of each bank agent. Test check disclosed that receipts for collateral were in order.



**City and County Bonds—\$945,000.00**

City and County Airport Bonds (1938) in the amount of \$945,000.00 par value reflected on the Controller's records June 30, 1940, as authorized and unsold were sold July 8, 1940, pursuant to the Board of Supervisors' Resolution No. 1110, adopted June 17, 1940, and the proceeds deposited with the Treasurer July 9, 1940.

No unsold City and County bonds were on hand June 30, 1941.

**Cancelled, Mutilated Bonds—\$178,000.00**

As at date of audit, the Treasurer had in his custody 178 cancelled, mutilated 1929  $4\frac{1}{2}$  per cent Sewer Bonds of the City and County, par value \$1,000.00 each. The bonds were cancelled pursuant to authority contained in resolution of the Board of Supervisors, as follows:

Resolution No. 2969, adopted December 9, 1936

Resolution No. 3445, adopted August 3, 1937

Verification of bonds was made by physical count.

**IV. REVENUE**

Revenues collected by the Treasurer during the fiscal year 1940-1941 are summarized from the Controller's records as follows:

1. Interest earned on deposit of public funds.....	\$41,437.62
2. Commissions on inheritance tax collections.....	12,975.22
3. "Duplicate Inheritance Tax Receipt" fees.....	4.50
Total .....	<u>\$54,417.34</u>

**1. Interest Earned on Deposit of Public Funds—\$41,437.62**

Interest earned during the fiscal year 1940-1941 in the amount indicated was deposited with the Treasurer per Controller's records as follows:

General Funds—Inactive Accounts.....	\$25,759.23
Public Utility Funds—Inactive Accounts.....	14,979.38
Islais Creek Recreation District—Inactive Account....	699.01
	<u>\$41,437.62</u>

The rate of interest paid during the fiscal year was 1 per cent per annum on daily balances, payable quarterly, excepting that during the month of June, 1941, the Bank of Canton paid interest at the rate of  $\frac{3}{4}$  of 1 per cent per annum computed on average daily balances.

No interest was received during the fiscal year on active deposits.

The rates of interest allowed during the fiscal year were in conformity with provisions of General Laws Act 2834a, Section 1, Statutes of 1939, and as amended by Senate Bill No. 685, Chapter 342, in effect May 24, 1941.

Test checks of interest allowed by the banks indicated that computations of interest were substantially correct.

**2. Commissions on Inheritance Tax Collections—\$12,975.22**

Commissions on Inheritance Tax Collections received during the fiscal year 1940-1941 amounted to \$12,975.22.

The records maintained by the Treasurer for inheritance tax purposes are subject to audit by the State Controller's office.

The California Inheritance Tax Act (Statutes 1937, Section 20, in effect August 27, 1937) provides a maximum commission of \$14,000.00 to be retained by the Treasurer during a calendar year. During the calendar year of 1940, the commissions exceeded the statutory amount of \$14,000.00. The excess was adjusted by eliminating the commissions for October and November, 1940, collections.

The State Controller confirmed by letter dated August 14, 1941, direct to the Controller, the above commissions and periods of accumulations as reflected by the Treasurer's records.

Inheritance Tax collections on settlement dates hereinafter indicated were verified against deposits of inheritance tax per Controller's records for the same periods. Calculations of commissions on settlement dates were test checked.

Settlement dates and amounts are reflected as follows:

Period	Commission
June 1, 1940, to July 31, 1940.....	\$ 2,843.64
August 1, 1940, to September 30, 1940.....	2,625.20
October 1, 1940, to November 30, 1940.....	.....
December 1, 1940, to January 31, 1941.....	3,708.40
February 1, 1941, to March 31, 1941.....	1,970.05
April 1, 1941, to May 31, 1941.....	1,827.93
Total .....	<u>\$12,975.22</u>

### 3. "Duplicate Inheritance Tax Receipt" Fees—\$4.50

A 50-cent fee is charged by the Treasurer for issuing duplicate receipt for inheritance tax, as prescribed by Section 10 of the Inheritance Tax Act of 1935. The collection and deposit of this fee is subject to the Controller's prescribed revenue procedure and is currently audited by the Controller's general office. Deposit of the fees was verified against the Controller's records.

## V. EXPENDITURES

Expenditures and encumbrances from appropriations to the Treasurer's office for the fiscal year 1940-1941 are summarized from the Controller's records as follows:

Appropriation	Appropriated 1940-41	Adjusted Ap- propriations 1940-41	Expenditures and Encumbrances
Permanent Salaries .....	\$48,560.00	\$48,560.00	\$48,492.76
Premiums on Official Bond.....	7,000.00	7,000.00	7,000.00
Maintenance and Repair of Office Equip't..	200.00	200.00	195.00
Telephone and Telegraph.....	100.00	115.00	88.02
Carfare .....	125.00	125.00	73.78
Books, Office Supplies and Stationery.....	1,100.00	1,038.65	981.78
Miscellaneous Contractual Services.....	100.00	100.00	.....
Equipment .....	.....	46.35	46.35
Total .....	<u>\$57,185.00</u>	<u>\$57,185.00</u>	<u>\$56,877.69</u>

### Permanent Salaries—\$48,492.76

The 1940-1941 Salary Ordinance, Bill No. 705, Ordinance No. 662, provides for employments at maximum monthly rates in the Treasurer's office as follows:

Item No.	No. of Employ- ments	Class No.	Class Title	Maximum Monthly Rates	Employment Status
1	1		Treasurer .....	\$666.66	Elective
2	1	B10	Accountant .....	240.00	Civil Service
3	1	B14	Sr. Accountant .....	300.00	" "
4	1	B102	Teller .....	240.00	" "
5	1	B102	Teller .....	210.00	" "
6	2	B104	Sr. Teller .....	250.00	" "
7	1	B104	Sr. Teller .....	240.00	" "
8	1	B112	Asst. Cashier—Treas. Office....	375.00	" "
9	1	B112	Asst. Cashier—Treas. Office....	350.00	" "
10	2	B222	General Clerk .....	155.00	" "
10.1	1	B234	Head Clerk .....	220.00	" "
11	1	B408	Gen. Clerk-Stenographer.....	175.00	" "

Test check of the time rolls indicated that employments were in accordance with the above ordinance.

Examination of time roll procedure indicated compliance with the provisions of the Payroll Ordinance, Bill No. 37, Ordinance No. 9.0551, with respect to the daily posting of time worked.

#### **Premium on Bonds—\$7,000.00**

All employees of the Treasurer's office are bonded except one B408 General Clerk-Stenographer.

Bonding Ordinance, Bill No. 1092, Ordinance No. 1058, Sec. 54, approved February 26, 1941, provides for the bonding of two tellers at \$5,000.00 each. These employments have become non-existent due to changes in classifications and should be deleted from the ordinance. All other positions were bonded in accordance with the bond ordinance.

All bonds are on file with the Controller as prescribed by Charter Section 67.

#### **Other Expenditures**

Expenditures other than personal services and premiums on bonds made from the several appropriations were test checked by examination of warrants drawn thereon. Examination disclosed that expenditures were made for purposes indicated by the appropriation account titles and that the purchasing procedure was in conformity with Bill No. 76, Ordinance No. 9.0861.

Respectfully submitted,

WREN MIDDLEBROOK,  
Supervisor, General Audits.

# San Francisco Water Department

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1941

(Wherever italic figures appear in this Report, they indicate red figures)



**F. W. LAFRENTZ & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**MILLS BUILDING, SAN FRANCISCO**

October 8, 1941.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

In compliance with your request, issued under the powers delegated to you by Ordinance 9.0621, passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the San Francisco Water Department as at June 30, 1941, and of the statements of income and surplus for the year then ended. In connection therewith we reviewed the system of internal control and the accounting procedures of the Department and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

The consultant and statistician to the Grand Jury participated in the examination.

Submitted with this report are the following statements:

- EXHIBIT "A"—BALANCE SHEET as at June 30, 1941;
- EXHIBIT "B"—STATEMENT OF INCOME AND EXPENSE for the years ended June 30, 1941, and June 30, 1940;
- EXHIBIT "C"—SURPLUS ACCOUNT for the year ended June 30, 1941;
- EXHIBIT "D"—SURPLUS ACCOUNT, CONDENSED, from March 3, 1930, to June 30, 1941;
- SCHEDULE No. 1—OPERATING EXPENSES for the years ended June 30, 1941, and June 30, 1940.

In the above statements and the comments hereafter, the figures relating to the fiscal year ended June 30, 1940, have been taken from the report of the auditors for that year.

### OPERATIONS

A condensed statement of operations for the year ended June 30, 1941, and a comparison with the previous year follows:

	Year Ended June 30	
	1941	1940
Sale of water.....	\$7,342,605.45	\$7,309,468.62
Operating expenses, including depreciation.....	3,876,789.53	3,016,793.06
Operating income .....	\$3,465,815.92	\$4,292,675.56
Other income, net .....	74,589.01	65,921.19
	<u>\$3,540,404.93</u>	<u>\$4,358,596.75</u>
Bond interest .....	1,651,903.33	1,719,423.33
Net income .....	<u>\$1,888,501.60</u>	<u>\$2,639,173.42</u>

In analyzing the decrease in operating income during the year ended June 30, 1941, it was observed that operating expenses included an amount of \$773,284.00, representing payments made by the San Francisco Water Department to Hetch Hetchy Water Supply. These payments cover a water supply and stand-by charge, provision for which was made for the first time in the 1940-41 Budget.

In conformity with the established accounting practice of the Water Department, contributions to Hetch Hetchy Water Supply for operating expenses

were charged directly to surplus. These charges amounted to \$223,414.30 during the year under review.

Comparisons of the number of consumers served and the metered deliveries of water follow:

	As at June 30			
	1941	1940	1939	1938
<i>Consumers, San Francisco District:</i>				
Residential .....	94,247	93,055	89,542	88,065
Commercial .....	29,502	26,919	26,805	26,506
Dock and shipping.....	292	287	280	238
	<u>124,041</u>	<u>120,261</u>	<u>116,627</u>	<u>114,809</u>
<i>Consumers, Suburban Districts.....</i>	557	568	562	586
<b>Totals .....</b>	<b><u>124,598</u></b>	<b><u>120,829</u></b>	<b><u>117,189</u></b>	<b><u>115,395</u></b>

	Years Ended June 30			
	1941	1940	1939	1938
<i>Metered deliveries (million cubic feet):</i>				
San Francisco district.....	2,347.5	2,378.7	2,271.9	2,178.2
Suburban districts, including free deliveries, riparian contracts.....	427.1	407.6	370.0	270.6
<b>Totals .....</b>	<b><u>2,774.6</u></b>	<b><u>2,786.3</u></b>	<b><u>2,641.9</u></b>	<b><u>2,448.8</u></b>

## TAXES

Section 64 of the Charter of the City and County of San Francisco specifies that the accounts of the municipally owned utilities should include "estimates of the amount of taxes that would be chargeable against such property and the revenue thereof, if privately owned and operated."

In lieu of San Francisco property taxes which have not been assessed, the operating expenses have been charged with amounts equal to the revenues recorded for water supplied to non-paying city departments as follows:

For the year ended June 30, 1941.....	\$544,521.98
For the year ended June 30, 1940.....	<u>\$500,493.69</u>

The San Francisco Water Department, if privately owned, would be required to pay property taxes to the City and County of San Francisco for the fiscal year 1940-41 on a base of \$4.295 per \$100.00 of assessed valuation. In the absence of the Assessor's valuation we are unable to determine whether such taxes would or would not exceed the comparison charges indicated above.

Taxes paid to other cities and counties by the Water Department amounted to the following:

For the year ended June 30, 1941.....	\$248,416.20
For the year ended June 30, 1940.....	<u>\$235,503.86</u>

In connection with the payment of these taxes it was observed that certain of the taxes for special assessments were paid under protest. Protested taxes amounted to \$37,452.27 for the year 1940-41. It is anticipated that a portion of these taxes as yet undetermined will be recovered.

Comparison charges for Federal taxes and California state franchise tax are not recorded in the expense accounts of the Water Department. These taxes are estimated at \$551,568.38 for the year ended June 30, 1941, and \$560,861.91 for the year ended June 30, 1940. Federal taxes applicable to a privately owned and operated utility for these two years include a capital stock tax based on a declared value which affects the computation of a declared value excess-profits tax. For the year 1940-41 a new and additional excess-profits tax is imposed, the computation of which is based on either invested capital or income, depending upon the election of the taxpayer.

In connection with the declared value excess-profits tax estimate, the capital stock valuation has been set at a figure sufficient to eliminate this particular tax. In calculating the additional 1940-41 excess-profits tax, it was ascertained that by application of the income base method of computation, the tax would not apply.

The items of income and expense with comparative figures for the previous year are reflected in EXHIBIT "B", and supporting Schedule No. 1.

### FINANCIAL POSITION

The financial position of the San Francisco Water Department as at June 30, 1941, is reflected in the balance sheet, EXHIBIT "A", and is summarized below showing a comparison with the figures at June 30, 1940.

ASSETS	June 30	
	1941	1940
Properties in service and construction in progress, net .....	\$49,477,999.95	\$50,006,096.80
Cash on deposit with Treasurer.....	2,995,824.96	2,898,468.87
Revolving funds .....	29,980.00	30,000.00
Accounts receivable, less reserve.....	510,676.37	565,125.31
City of Palo Alto, collectible on or before June 30, 1958 .....	163,657.46	167,304.52
Interfund accounts receivable.....	147,501.04	40,931.22
Deferred charges .....	486,477.29	316,291.42
<b>Total .....</b>	<b>\$53,812,117.07</b>	<b>\$54,024,218.14</b>
LIABILITIES	June 30	
	1941	1940
Bonded debt .....	\$37,321,000.00	\$38,880,000.00
Bond interest payable.....	800,844.16	828,615.83
Accounts payable and commitments.....	331,690.52	144,861.65
Consumers' deposits and construction advances..	156,107.59	126,263.93
Interfund accounts payable.....	510,630.49	434,371.10
Compensation insurance reserve.....	22,359.54	21,647.15
San Francisco Bay Exposition, unused credit....	275,598.38	295,970.22
Sundry credits .....	544.40	541.48
Surplus .....	14,393,341.99	13,291,946.78
<b>Total .....</b>	<b>\$53,812,117.07</b>	<b>\$54,024,218.14</b>

The following comments are submitted relative to the asset and liability accounts at June 30, 1941:

#### Fixed capital—\$49,477,999.95:

Fixed capital as stated above consisted of properties in service, less reserve for depreciation, plus construction work in progress at June 30, 1941. The properties in service, amounting to \$71,481,746.35, are carried at values based on an appraisal made by engineers of the Department as of December 31, 1937, plus subsequent additions stated at cost. The changes reflected in the accounts during the year are summarized as follows:

	Properties in Service	Depreciation
Balance, June 30, 1940.....	\$71,096,083.84	\$21,169,479.00
Additions, year 1940-41.....	418,799.31	941,230.98
	<u>\$71,514,883.15</u>	<u>\$22,110,709.98</u>
Less: Retirements, sales, etc.....	33,136.80	20,188.17
<b>Total .....</b>	<b>\$71,481,746.35</b>	<b>\$22,090,521.81</b>

We examined the supporting documents covering major additions. This included an inspection of contracts, purchase orders, invoices, etc., and also an



examination of the minutes of the Public Utilities Commission in order to ascertain that the approval of the Commission had been obtained. Retirements are in agreement with the detail submitted by the Department's Engineering Division.

The additions during the period are classified briefly as follows:

Landed capital .....	\$ 15,299.99
Buildings, structures, and grounds.....	3,387.11
Source of water supply.....	7,153.12
Transmission and distribution.....	357,522.77
General equipment and automobiles.....	33,454.39
Miscellaneous .....	1,981.93
Total .....	<u>\$418,799.31</u>

#### Cash on deposit with Treasurer—\$2,995,824.96:

The cash on deposit with the Treasurer at June 30, 1941, is as stated in the report on the Treasurer's office prepared by the audit staff of the Controller under Section 66 of the Charter.

The cash was held in the following funds:

Revenue fund .....	\$ 246,000.95
Special deposit trust fund.....	173,486.71
Extension reserve fund.....	559,717.31
Reconstruction and replacement fund.....	176,377.76
Land purchase fund.....	49,835.55
Bond redemption fund, 1928 bonds.....	1,008,000.00
Bond redemption fund, 1933 bonds.....	5,939.18
Bond interest fund, 1928 bonds.....	698,647.50
Bond interest fund, 1933 bonds.....	77,820.00
Total .....	<u>\$2,995,824.96</u>

#### Revolving fund—\$29,980.00:

This fund is analyzed as follows:

Cash in banks.....	\$ 985.41
Water sales change and petty cash funds.....	3,155.00
Disbursements awaiting reimbursement.....	25,364.59
Disbursements for which the Controller has refused reimbursement .....	475.00
Total .....	<u>\$29,980.00</u>

Bank balances were confirmed by reconciliation with the certificates of the depositaries, and change and petty cash funds were verified either by actual count or by communication with custodians thereof. Disbursements awaiting reimbursement were cleared subsequent to June 30, 1941, except an item of \$2.72.

The item of \$475.00 represents a check issued on May 14, 1937, to J. Giosso & Sons, in payment of their claim covering property damage. The Controller has refused reimbursement under Section 85 of the Charter because, in his opinion, the claim was not filed in accordance with Section 87.

#### Accounts receivable, less reserve—\$510,676.37:

This amount is composed of the following items:

<i>Consumers' accounts:</i> .....	\$525,378.57
Less: Reserve for doubtful accounts.....	24,740.70
	<u>\$500,637.87</u>
<i>Other accounts:</i>	
For rents .....	\$6,298.16
Miscellaneous .....	3,740.34
Total .....	<u>\$10,038.50</u>
	<u>\$510,676.37</u>

The consumers' accounts were reviewed as to their collectibility and all accounts deemed uncollectible appeared to have been charged to the reserve. Included in the charges to the reserve is an amount of \$63,813.00, representing an accumulation of uncollectible balances dating from May, 1935, to June 30, 1940, and which had been held in suspense pending review by the Controller's auditing staff. In our opinion, the balance remaining in the reserve at June 30, 1941, is adequate.

Our examination of the consumers' accounts included communication by mail for direct confirmations of the balances of certain selected accounts. The replies received did not indicate any discrepancies.

The rental and miscellaneous accounts appear to be collectible with the possible exception of accounts with balances aggregating \$172.50. We were advised that steps are being taken to dispose of these balances.

#### City of Palo Alto—\$163,657.46:

This amount represents the uncollected balance due from the City of Palo Alto for 60 per cent of the cost of the Palo Alto pipe line charged to the City of Palo Alto according to agreement. The agreement specifies that the unamortized balance shall bear interest at 4½ per cent per annum, and is collectible, including interest charge, by means of surcharges of two cents per one hundred cubic feet based on the monthly delivery of water, or by additional lump sum payments at the option of the City of Palo Alto. Any uncollected balance on June 30, 1958, will be payable at that date in full.

The correctness of the balance was confirmed by the City Clerk, of the City of Palo Alto.

The transactions in this account during the year are summarized as follows:

Balance, June 30, 1940.....	\$167,304.52
Interest at 4½ per cent per annum on monthly balances	7,423.62
	<u>\$174,728.14</u>
Collected by means of surcharges.....	11,070.68
Balance, June 30, 1941.....	<u>\$163,657.46</u>

#### Interfund accounts receivable—\$147,501.04:

Interfund accounts receivable were confirmed by reference to the records of the Controller.

#### Materials and supplies—\$342,936.77:

Physical inventories of materials and supplies were taken by the Water Department accounting division during the period from May 24 to May 29, 1941, inclusive, and perpetual inventory records were adjusted therewith. The physical inventory records were examined by us and tests were made to the perpetual inventory cards. We also made an actual physical inspection and count of certain selected items and compared the quantities ascertained with the card records. Invoices for material purchases were examined and prices indicated were compared with recorded values.

The basis of valuation of the inventory was cost, except that in certain instances mentioned below it was stated at salvage values.

The locations of the materials and supplies were as follows:

City distribution division.....	\$281,195.62
Peninsula division .....	42,289.07
Alameda division .....	4,539.20
Newark-San Lorenzo pipe line.....	10,991.15
Corral Hollow pipe line.....	391.71
Sunset discharge line.....	3,530.02
Total .....	<u>\$342,936.77</u>

The Newark-San Lorenzo, Corral Hollow, and Sunset lines above include materials and supplies of which very little was used during the year. Some of this material is buried underground. We were advised that eventually use will be found for the items included, and that they are being carried, in the meantime, at salvage values. We accepted the quantities and values stated, without further verification.

**Commitments, contra—\$127,426.02:**

This represents the unexpended balances of encumbrances as at June 30, 1941. It is the accounting practice of the City and County of San Francisco to reflect the total encumbrances as a liability in all proprietary balance sheets in order to facilitate reconciliation with funding balance sheets, and accordingly it is necessary to include unexpended balances as an asset.

**Other deferred charges—\$16,114.50:**

Contributions by the Water Department for operating expenses of Hetch Hetchy Water Supply are charged to a deferred account until advice is received that the latter has actually expended the contributions. The amounts of the reported expenditures are then charged to surplus on the books of the Water Department. On June 30, 1941, the unexpended balance amounted to \$14,156.74, and is included in the above figure. The balance of \$1,957.76 represents expenditures for work in progress, recoverable from various City Departments or from construction advances, and certain other items which are chargeable on completion to maintenance accounts.

**Bonded debt—\$37,321,000.00:**

The changes in the bonded debt during the year under review are summarized as follows:

	Outstanding June 30, 1940	Redeemed	Outstanding June 30, 1941
Spring Valley 4½%, 1928 issue...	\$31,004,000.00	\$ 996,000.00	\$30,008,000.00
Water Distribution 4%, 1933 issue.	7,876,000.00	563,000.00	7,313,000.00
Total .....	<u>\$38,880,000.00</u>	<u>\$1,559,000.00</u>	<u>\$37,321,000.00</u>

Bonds of the Spring Valley 1928 issue are due serially, \$1,000,000.00 on July 1 of each year to 1970. Bonds of the Water Distribution 1933 issue are also due serially, \$563,000.00 on December 1 of each year to 1952, and \$557,000.00 on December 1, 1953.

Included in the outstanding Spring Valley bonds, are \$8,000.00 of matured bonds which have not yet been presented for payment.

Verification of this liability was made by reference to the records of the Controller.

**Bond interest payable—\$800,844.16:**

The bond interest payable account is analyzed as follows:

	Total	Spring Valley 1928 Issue	Water Distribution 1933 Issue
Matured coupons not presented for payment .....	\$101,467.50	\$ 23,647.50	\$ 77,820.00
Coupons due July 1, 1941 .....	675,000.00	675,000.00	.....
Coupons due December 1, 1941 (accrued portion) .....	24,376.66	.....	24,376.66
Total .....	<u>\$800,844.16</u>	<u>\$698,647.50</u>	<u>\$102,196.66</u>

This liability was verified by reference to the records of the Controller.

**Accounts payable and commitments—\$331,690.52:**

The following items make up this amount:

Outstanding warrants .....	\$117,386.91
Encumbrances (contracts, purchase orders, etc.):	
For materials and services received... \$ 86,877.59	
Commitments, Contra (balance of encumbrances, Controller's records).	127,426.02
	214,303.61
Total .....	<u>\$331,690.52</u>

The above amounts, covering outstanding warrants and encumbrances, consisting of liability under contracts, purchase orders, etc., were in agreement with the records of the Controller.

**Consumers' deposits and construction advances—\$156,107.59:**

Included in this item are the undermentioned deposits and advances:

Consumers' guarantee deposits.....	\$ 27,916.10
Construction advances .....	127,746.62
Custom work advances.....	3,617.22
	<u>\$159,279.94</u>
Less: Amounts due to other City departments, per Controller .....	3,172.35
Total .....	<u>\$156,107.59</u>

The records containing detail of the individual deposits were examined and reconciliation was made with the various controls.

We did not confirm the balances of deposits and advances by direct communication with the depositors.

**Interfund accounts payable—\$510,630.49:**

Interfund accounts payable were in agreement with the records of the Controller.

**Contingent liabilities:**

We were advised by the City Attorney's office that suit has been filed against the San Francisco Water Department by Garfield and Anne Schlaadt for \$10,500.00. The claim is based on an accident which plaintiffs allege occurred on May 17, 1941, and in which injuries were stated to have been received by Mrs. Anne Schlaadt. Plaintiffs claim the accident was attributable to the leakage from a watermain.

Contingent liability also exists in connection with a suit brought by Williams Bros. and Haas Inc., based on property damaged during the construction of the Crystal Springs pipe line. Judgment was rendered by the court in favor of the San Francisco Water Department, but we were advised that the plaintiffs are appealing the decision. The suit was for approximately \$14,000.00.

**Compensation insurance reserve—\$22,359.54:**

This reserve is provided through the medium of a charge to operations of a percentage of salaries and wages, to take care of workmen's compensation claims, which are handled through the San Francisco City and County Employees' Retirement System.

**San Francisco Bay Exposition Company—\$275,598.38:**

To conform with an agreement with the San Francisco Bay Exposition Company dated July 20, 1936, the cost of the water system serving Yerba Buena Island and Treasure Island is reflected in the accounts of the Water

Department. The cost of constructing the water system was provided in part out of Federal funds and in part by the Exposition Company. The agreement provides that the Exposition Company shall pay to the Water Department the actual cost of operating the plant which pumps water to the island, and that this amount will be credited, together with an additional credit representing the amount expended by the Exposition Company on the construction of the water system, against the monthly charges for water furnished the Exposition.

The recorded costs of the system to December 31, 1937, amounted to \$361,324.92, as reported by Mr. W. P. Day, Vice-President and Director of Works, San Francisco Bay Exposition Company. This amount is recorded in the accounts of the Water Department under "Properties in Service", together with certain engineering costs amounting to \$6,190.25, which were incurred by the San Francisco Water Department in this matter. The offsetting credit is reflected in the deferred account shown on the balance sheet. This account is also credited with the payments made by the Exposition Company as reimbursement for pumping plant operating costs, and the account is charged with the cost of the water used by the Exposition.

A condensed analysis of this account follows:

Cost of water system to December 31, 1937, as reported by Mr. W. P. Day, Vice-President, and Director of Works, San Francisco Bay Exposition Company..	\$361,324.92
Add: Total payments made to San Francisco Water Department as reimbursement for expense of operating the plant pumping water to the island.....	16,724.15
	<u>\$378,049.07</u>
Less: Total charges for water furnished.....	102,450.69
Remaining credit at June 30, 1941.....	<u><u>\$275,598.38</u></u>

As the Exposition is now closed, the greater portion of the remaining credit will probably not be used and will consequently be available as a valuation reserve against the cost of the Exposition water system reflected on the records of the San Francisco Water Department.

#### Surplus—\$14,393,341.99:

An analysis of the changes in surplus account during the year ended June 30, 1941, is reflected in EXHIBIT "C", and a condensed analysis of surplus account from March 3, 1930, to June 30, 1941, is submitted in EXHIBIT "D".

### GENERAL

#### Merger with Hetch Hetchy:

Section 122 of the Charter provides that the Hetch Hetchy project when completed shall be merged with the San Francisco Water Department. We were informed by the City Attorney's office that, in their opinion, Hetch Hetchy has not been completed and cannot be merged with the Water Department.

In conclusion we wish to express our appreciation to the officials and employees of the Water Department and the Controller's office for their courtesies and cooperation.

Respectfully submitted,

F. W. LAFRENTZ & CO.,  
Certified Public Accountants.

## EXHIBIT "A"

## SAN FRANCISCO WATER DEPARTMENT

## BALANCE SHEET

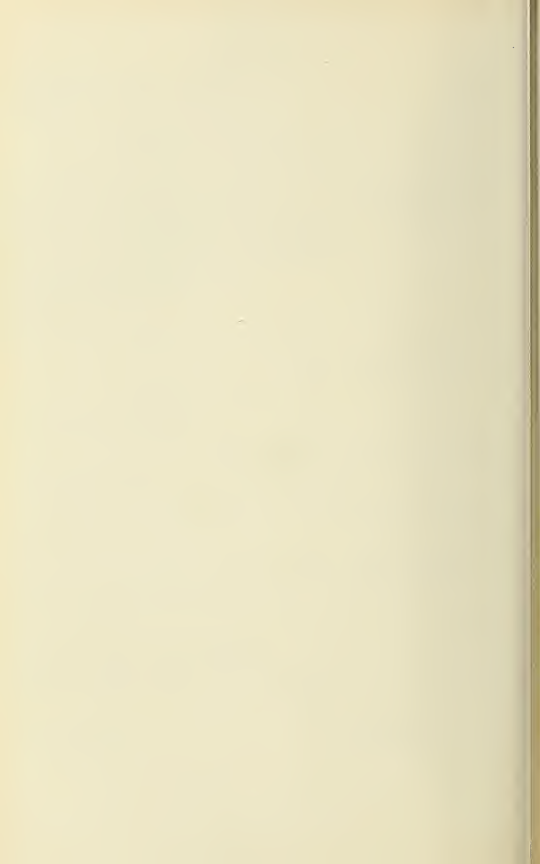
As at June 30, 1941

## LIABILITIES

BONDED DEBT:	
Spring Valley 4½% Bonds, 1928, maturing \$1,000,000.00 annually to July 1, 1970:	
Matured .....	8,000.00
Due July 1, 1941 .....	1,000,000.00
Due July 1, 1942, to July 1, 1970 .....	29,000,000.00
Water Distribution 4½, 1933, maturing \$563,000.00 annually to December 1, 1952, and \$557,000.00 on December 1, 1953 .....	7,313,000.00
BOND INTEREST PAYABLE:	
Matured .....	101,467.50
Due July 1, 1941 .....	675,000.00
Due December 1, 1941, accrued portion .....	24,376.66
ACCOUNTS PAYABLE AND COMMITMENTS:	
Warrants outstanding .....	117,386.91
Contracts, purchase orders, etc: For materials and services received .....	86,877.59
Commitments, contra .....	127,426.02
CONSUMERS' DEPOSITS AND CONSTRUCTION ADVANCES .....	159,279.94
Less: Amounts due to other city departments, per Controller .....	3,172.35
INTERFUND ACCOUNTS PAYABLE:	
Public service enterprises .....	93,546.16
General City and County .....	417,084.33
CONTINGENT LIABILITIES, see text of report .....	
COMPENSATION INSURANCE RESERVE .....	22,359.54
DEFERRED CREDITS:	
San Francisco Bay Exposition remaining credit for Exposition water system recorded costs to December 31, 1937, to be applied against water charges .....	275,598.38
Other deferred credits .....	544.40
SURPLUS .....	14,393,341.99
TOTAL .....	\$53,812,117.07

## ASSETS

FIXED CAPITAL:	
Properties in service:	
Tangibles .....	\$68,298,522.35
Intangibles .....	3,183,224.00
Less: Reserve for depreciation .....	22,090,521.81
Construction in progress .....	\$49,391,224.54
86,775.41 .....	
CASH:	
On deposit with Treasurer .....	\$ 2,995,824.96
Revolving funds .....	29,980.00
ACCOUNTS RECEIVABLE:	
Consumers' accounts .....	\$ 525,378.57
Less: Reserve for doubtful accounts .....	24,740.70
Other accounts, for rents, etc. ....	10,038.50
CITY OF PALO ALTO, part cost of Palo Alto pipe line less collections to date, collectible on or before June 30, 1958 .....	163,657.46
INTERFUND ACCOUNTS RECEIVABLE:	
Public service enterprises .....	\$ 29,871.32
General City and County .....	117,629.72
DEFERRED CHARGES:	
Materials and supplies .....	\$ 342,936.77
Commitments, contra .....	127,426.02
Other deferred charges .....	16,114.50
TOTAL .....	\$53,812,117.07



## EXHIBIT "B"

**SAN FRANCISCO WATER DEPARTMENT  
STATEMENT OF INCOME AND EXPENSE**

For the Years Ended June 30, 1941, and 1940

	Year Ended June 30	
	1941	1940
<b>SALE OF WATER:</b>		
San Francisco .....	\$6,252,032.25	\$6,271,116.05
Outside San Francisco.....	495,126.87	469,360.67
Municipal Departments, actual.....	50,924.35	68,498.21
Municipal Departments, comparison.....	544,521.98	500,493.69
	<u>\$7,342,605.45</u>	<u>\$7,309,468.62</u>
<b>OPERATING EXPENSES:</b>		
Source of water supply—Schedule No. 1.....	\$ 180,912.03	\$ 183,213.68
Standby charge and purchase of water.....	773,284.00	.....
Pumping—Schedule No. 1.....	132,330.67	155,247.36
Purification—Schedule No. 1.....	69,835.42	67,594.27
Transmission and distribution—Schedule No. 1	325,034.11	320,718.12
Commercial expenses—Schedule No. 1.....	355,282.55	355,751.52
Administrative and general expense—		
Schedule No. 1.....	550,577.68	512,777.54
Provision for doubtful accounts.....	6,000.00	6,000.00
Municipal taxes, comparison.....	544,521.98	500,493.69
	<u>\$2,937,778.44</u>	<u>\$2,101,796.18</u>
Less: Over-distribution of transportation and overhead expenses .....	2,219.89	10,193.84
	<u>\$2,935,558.55</u>	<u>\$2,091,602.34</u>
Provision for depreciation.....	941,230.98	925,190.72
	<u>\$3,876,789.53</u>	<u>\$3,016,793.06</u>
<b>OPERATING INCOME .....</b>	<b>\$3,465,815.92</b>	<b>\$4,292,675.56</b>
<b>OTHER INCOME:</b>		
Rentals, including crop shares.....	\$ 60,144.23	\$ 49,136.29
Sale of walnuts.....	17,240.16	13,730.46
Interest earned .....	22,403.00	23,569.45
Lake Merced income.....	1,366.70	.....
Miscellaneous .....	862.52	12,441.41
	<u>\$ 102,016.61</u>	<u>\$ 98,877.61</u>
<b>OTHER EXPENSE:</b>		
Bond interest, 1928 issue.....	\$1,350,000.00	\$1,395,000.00
Bond interest, 1933 issue.....	301,903.33	324,423.33
Agricultural Division expense.....	9,448.79	9,571.94
Walnut orchard expense.....	15,510.26	15,024.33
Lake Merced expense.....	1,904.81	.....
Miscellaneous expense .....	563.74	689.01
Uncollectible rentals written off.....	.....	7,671.14
	<u>\$1,679,330.93</u>	<u>\$1,752,379.75</u>
<b>NET INCOME .....</b>	<b>\$1,888,501.60</b>	<b>\$2,639,173.42</b>
<b>COMPARISON CHARGES FOR FEDERAL IN-</b>		
<b>COME TAXES AND STATE FRANCHISE TAX</b>		
(ESTIMATED) .....	<u>\$ 551,568.38</u>	<u>\$ 560,861.91</u>



EXHIBIT "C"

**SAN FRANCISCO WATER DEPARTMENT**

**SURPLUS ACCOUNT**

**For the Year Ended June 30, 1941**

BALANCE, JUNE 30, 1940, as per report of audit for the year then ended.....		\$13,291,946.78
Add: Net income for the year ended June 30, 1941.	\$1,888,501.60	
Gain on sales of landed capital assets, net...	6,954.33	
Other miscellaneous additions and deduc- tions, net .....	1,157.29	1,896,613.22
		<u>\$15,188,560.00</u>
Deduct: Adjustment to set up liability to Hetch Hetchy Water Supply for the value of Corral Hollow pipe and fittings used in the construction of the Palo Alto pipe line in 1938 and credited to surplus....\$	88,942.18	
Adjustment on account of Recreation De- partment water deliveries, years 1938- 39 and 1939-40.....	28,436.53	117,378.71
		<u>\$15,071,181.29</u>
DEDUCT CONTRIBUTIONS:		
To general fund.....\$	454,425.00	
To Hetch Hetchy Water Supply.....	223,414.30	677,839.30
BALANCE, JUNE 30, 1941.....		<u><u>\$14,393,341.99</u></u>

## EXHIBIT "D"

**SAN FRANCISCO WATER DEPARTMENT**  
**SURPLUS ACCOUNT, CONDENSED**

From March 3, 1930, to June 30, 1941

<b>INITIAL SURPLUS AS AT MARCH 3, 1930:</b>		
Excess earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price in accordance with order of the Railroad Commission of the State of California.....		\$ 4,152,652.24
Valuation placed upon Municipal Water Works		100,000.00
		<hr/> \$ 4,252,652.24
Less: Additional allowance for depreciation from March 1, 1920, to March 3, 1930...		2,327,916.67
		<hr/> \$ 1,924,735.57
<b>Add:</b>		
Net profit March 3, 1930, to June 30, 1941, including miscellaneous year to year surplus adjustments.....	\$23,996,897.92	
Grants earned on Federal Public Works Projects .....	2,358,987.60	
Bond premiums less bond expense on sale of 1933 Water Distribution bonds....	808,292.40	
Properties and materials from Newark-San Lorenzo pipe line transferred from Hetch Hetchy Water Supply Project at salvage value .....	323,723.34	
Depreciated value of twelve-inch mains transferred from San Francisco Airport .....	20,898.83	
Labor donated by Federal Government for construction of roof over Crystal Springs Aqueduct .....	20,091.00	
City of Palo Alto contribution to cost of Palo Alto pipe line.....	217,207.04	
Cash received under agreement relating to Palo Alto pipe line.....	70,000.00	27,816,098.13
		<hr/> \$29,740,833.70
<b>Deduct:</b>		
Contributions to general fund.....	\$10,103,291.10	
Contributions to Hetch Hetchy Water Supply and Power Project.....	3,110,604.63	
Land contributed to City and County of San Francisco and to Joint Highway Commission for streets and boulevards.	143,121.07	
Excess of adjusted book value of plant over appraisal as at December 31, 1937.....	1,990,474.91	15,347,491.71
<b>BALANCE, JUNE 30, 1941.....</b>		<hr/> <hr/> <b>\$14,393,341.99</b>

## SCHEDULE "I"

## SAN FRANCISCO WATER DEPARTMENT

## OPERATING EXPENSES

For the Years Ended June 30, 1941, and June 30, 1940

	Year Ended June 30	
	1941	1940
<b>SOURCE OF WATER SUPPLY:</b>		
Superintendence .....	\$ 21,506.00	\$ 21,262.17
Operating labor .....	28,184.48	27,922.18
Operating supplies and expense.....	15,449.93	15,924.45
Repairs, buildings and fixtures.....	102,277.34	93,066.08
Repairs, surface facilities.....	13,231.27	24,742.02
Repairs, miscellaneous equipment.....	263.01	296.78
	<u>\$180,912.03</u>	<u>\$183,213.68</u>
<b>PUMPING:</b>		
Labor, pumping .....	\$ 40,389.65	\$ 40,660.85
Labor, miscellaneous .....	3,015.80	4,190.78
Fuel for steam.....	12,114.99	14,926.77
Power purchased .....	61,101.90	79,009.46
Lubricants .....	32.45	80.70
Miscellaneous supplies and expense.....	1,474.32	1,566.21
Repairs, primary pumping equipment.....	8,241.39	7,846.13
Repairs, boilers and equipment.....	584.31	904.20
Repairs, miscellaneous equipment.....	157.34	1,656.23
Other repairs and gardening.....	5,218.52	4,406.03
	<u>\$132,330.67</u>	<u>\$155,247.36</u>
<b>PURIFICATION:</b>		
Superintendence and labor.....	\$ 24,821.32	\$ 25,146.33
Supplies and expense.....	39,730.56	38,700.59
Repairs, plant, structures and equipment.....	4,268.80	2,032.06
Repairs and maintenance, roads and trails.....	1,014.74	1,715.29
	<u>\$ 69,835.42</u>	<u>\$ 67,594.27</u>
<b>TRANSMISSION AND DISTRIBUTION:</b>		
Superintendence .....	\$ 35,043.45	\$ 34,165.21
Patrolling storage facilities.....	14,156.94	13,025.91
Meters and fittings department.....	54,988.84	51,950.91
Street department .....	16,510.69	14,940.41
Consumers' premises expense.....	14,280.37	12,897.27
Miscellaneous supplies and expense.....	9,214.38	8,146.43
Repairs, transmission mains and canals.....	23,566.10	11,008.85
Repairs, reservoirs, tanks, and stand pipes.....	9,661.44	11,348.50
Repairs, distribution mains and canals.....	58,101.21	73,522.31
Repairs, service connections.....	63,989.05	68,691.11
Repairs, distribution buildings.....	24,863.53	19,904.34
Repairs, distribution equipment.....	658.11	1,116.87
	<u>\$325,034.11</u>	<u>\$320,718.12</u>

## SCHEDULE "1"—Continued

## SAN FRANCISCO WATER DEPARTMENT

## OPERATING EXPENSES—Continued

For the Years Ended June 30, 1941, and June 30, 1940

	Year Ended June 30	
	1941	1940
COMMERCIAL EXPENSE:		
Collections .....	\$115,583.45	\$114,973.80
Reading meters .....	38,553.79	38,105.87
Bookkeeping .....	106,561.12	106,703.91
General .....	37,725.49	34,491.24
Inspection and service.....	43,425.64	47,148.35
Shipping .....	13,433.06	14,328.35
	<u>\$355,282.55</u>	<u>\$355,751.52</u>
ADMINISTRATIVE AND GENERAL EXPENSE:		
Salaries, general officers.....	\$ 19,191.02	\$ 18,684.27
Salaries, general office clerks.....	44,081.52	45,543.20
Miscellaneous supplies and expense.....	5,284.34	10,052.38
Injuries and damages.....	5,716.37	3,028.85
Retirement system contributions.....	38,006.73	38,217.82
Mason Street building expense.....	23,341.49	21,791.78
Telephone service .....	16,370.68	15,689.23
Guest cottages and rest room.....	1,495.98	1,858.44
General engineering .....	51,620.67	43,252.90
Hydrography .....	1,443.77	2,399.53
Miscellaneous .....	1,332.49	827.54
Compensation insurance .....	9,168.17	8,901.19
Other insurance .....	4,879.12	4,723.56
Repairs, Mason Street building.....	8,744.96	5,471.23
Repairs, telephone system.....	5,894.17	4,909.44
Professional services .....	7,650.00	7,300.00
Public Utility Commission expense.....	57,940.00	44,622.32
Property taxes (outside of San Francisco).....	248,416.20	235,503.86
	<u>\$550,577.68</u>	<u>\$512,777.54</u>



# Hetch Hetchy Water Supply and Power Project

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1941

(Wherever italic figures appear in this Report, they indicate red figures)

**JOHN F. FORBES & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 CROCKER BUILDING  
 SAN FRANCISCO

October 10, 1941.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the Hetch Hetchy Water Supply and Power Project for the fiscal year ended June 30, 1941, and submit the following exhibits and schedules:

**Exhibit**

A—Balance Sheet, June 30, 1941.

B—Statement of Operations for the Fiscal Year Ended June 30, 1941.  
 Schedule

- 1—Statement of Production Expenses.
- 2—Statement of Power Transmission Expenses.
- 3—Statement of Administrative and General Expenses.

In addition to the above, we present the following comments:

**SCOPE OF EXAMINATION**

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1941, and an analytical review and test-check of the revenues and expenses during the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the project and, without making a detailed audit of the transactions, have examined or tested accounting records of the project and other supporting evidence, by methods and to the extent we deemed appropriate. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the fiscal year ended June 30, 1941, without regard to their classification as to water or power.

The consultant and statistician to the Grand Jury participated in the examination.

**OPERATIONS**

On Exhibit B of this report will be found details of the operations of the project for the year under review.

The operations of the Water Supply Division are financed by contributions from the San Francisco Water Department and from taxes of the City and County of San Francisco, and by receipts from the San Francisco Water Department and the Hetch Hetchy Power Division for standby charges and/or delivery of water. In the accounts, the contributions have been credited to "Contributed Surplus" and the other items to operating revenue.

Section 64 of the City Charter provides, in part, that the Public Utilities Commission shall maintain accounts for each utility in such a manner as to exhibit estimates of the amounts of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. During the year under review, city, county, and irrigation district taxes aggregating \$9,124.95, were paid by the Hetch Hetchy Water Supply and Power Project. Additional

taxes to which the project would be subject for the year ended June 30, 1941, if privately owned and operated are listed below:

1. Federal income taxes on net income as defined in the Federal Internal Revenue Code, at the rates indicated below:  
Normal tax—24% of normal tax net income.  
Excess-profits tax—25-50% of adjusted excess profits net income.
2. Federal capital stock tax: \$1.25 per \$1,000.00 of declared value of capital stock.
3. Federal declared value excess-profits tax: 6.6% of such portion of net income as is in excess of 10% and not in excess of 15% of declared value of capital stock; 13.2% of such portion of net income as is in excess of 15% of declared value of capital stock.
4. California State franchise tax: 4% of net income as defined by the California Bank and Corporation Franchise Tax Act.
5. Federal and State unemployment insurance and Federal old-age benefits pay-roll taxes. In this connection, however, it should be noted that the amount accrued by this project for the retirement benefits of its employees is greater than the taxes that would be assessable against a private utility under the Federal Social Security and State Unemployment Insurance Acts.

## CONTRACT WITH THE PACIFIC GAS AND ELECTRIC COMPANY

The United States Supreme Court has rendered a decision that the agency contract executed in 1925, with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power, is in violation of the Raker Act. As a result of negotiations between the City authorities and the Secretary of the Interior, the Federal District Court has suspended to June 30, 1942, the effective date of the injunction that will, when issued, restrain the City from disposing of power under the contract in question. In their negotiations with the Secretary of the Interior, the City authorities agreed not to institute proceedings or file with the court a petition for any further stay of the injunction. In the meantime, the City is obligated to submit to the people of the City and County of San Francisco at an election to be held on November 4, 1941, a proposed charter amendment authorizing the issuance of "Electric System Revenue Bonds" to finance the acquisition or construction of facilities for the distribution of Hetch Hetchy power, and, in addition, to take all necessary steps to otherwise comply with the provisions of the Raker Act.

The following comments relate to assets and liabilities appearing on Exhibit A of this report:

### PROPERTIES—\$106,096,195.31

As previously mentioned, our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1941, without regard to their classification as to water or power.

Following is a condensed summary of the property accounts as recorded in the books, showing the changes therein during the year:

	Total	Water	Power
Balance, June 30, 1940.....	\$106,083,900.75	\$93,698,900.23	\$12,385,000.52
Additions .....	37,116.18	23,779.04	13,337.14
Departmental transfer .....	.....	625.00	625.00
Total .....	\$106,121,016.93	\$93,723,304.27	\$12,397,712.66
Deduct retirements .....	24,821.62	15,065.12	9,756.50
Balance, June 30, 1941.....	<u>\$106,096,195.31</u>	<u>\$93,708,239.15</u>	<u>\$12,387,956.16</u>



Under our previous engagement, in accordance with your request, we reviewed the reallocations made between the Water Supply and Power Divisions of expenditures for fixed capital in service and of bonded indebtedness of the project, under the direction of the Public Utilities Commission, as of June 30, 1938.

As stated in our previous report, the reallocations were, in general, based upon an appraisal of the properties made by the Bureau of Engineering of the Public Utilities Commission in order to determine the amount of the reasonable annual depreciation requirement under Section 128 of the City Charter of the City and County of San Francisco which requires that during the year 1937-1938, and at least every five years thereafter, the Commission shall make an appraisal or may revise the last preceding appraisal of the value and probable useful life of each of the several classes of property of each utility under the jurisdiction of the Commission.

The properties were allocated to the two divisions on the following basis:

Power Division—Property used exclusively for power purposes, and  
 Water Division—All other property, i.e., property used exclusively for water purposes and that used jointly for power and water purposes.

Coincident therewith, the bonded indebtedness of the project outstanding as of June 30, 1938, was allocated "on the basis of the percentage relationships of the gross appraisal amounts for the two divisions" as shown below:

	Gross Appraisal Including Construction Work in Progress	Per- centage	Amount of Bonded In- debtedness, in Even Thousands
Water Division .....	\$ 95,269,346.00	88.4%	\$60,177,000.00
Power Division .....	12,484,771.00	11.6%	7,896,000.00
Total .....	<u>\$107,754,117.00</u>	<u>100.0%</u>	<u>\$68,073,000.00</u>

Based upon our review, it is our opinion that the reallocations made of fixed capital in service and bonded indebtedness of the project appear to be inequitable, and in any event do not conform with the general principles of the Raker Act pertaining thereto. The primary reason for this opinion is that all property used jointly for power and water purposes has been allocated entirely to the Water Supply Division, as a result of which it is not possible, without detailed cost studies and/or analyses, to establish accurate costs of furnishing water and power as required under the Raker Act. A further reason is that, although the object of the enlargement of the O'Shaughnessy Dam was, in part, "to permit the operation of the Moccasin Power Plant at full capacity throughout each year," the entire construction cost of the enlargement has been allocated to water operations.

In substantiation of our conclusion, we quote the following from the provisions of the Raker Act:

Section 9(d):

In connection with the sale of water to the Modesto and Turlock irrigation districts in excess of that to which they are entitled under the Act, such sales are to be made "at such a price as will return to the grantee the actual total costs of providing such stored water, such costs to be computed in accordance with the currently accepted practice of public cost accounting as may be determined by the Secretary of the Interior, including, however, a fair proportion

of the cost to said grantee of the conduit, lands, dams, and water-supply system included in the Hetch Hetchy and Lake Eleanor sites; . . ."

Section 9(m):

" . . . The said grantee shall develop and use hydro-electric power for the use of its people and shall, at prices to be fixed under the laws of California or, in the absence of such laws, at prices approved by the Secretary of the Interior, sell or supply such power for irrigation, pumping, or other beneficial use, said prices not to be less than will return to said grantee the actual total costs of providing and supplying said power, which costs shall be computed in accordance with the currently accepted practice of public cost accounting, as shall be determined by the Secretary of the Interior, including, however, a fair proportion of cost of conduit, lands, dams, and water-supply system; . . ."

Continuing studies are being made to determine the proper method or methods of reallocation of expenditures for facilities jointly used, in accordance with the request of the United States Department of the Interior.

Section 122 of the City Charter provides that the Hetch Hetchy Project, when completed, shall be merged with the San Francisco Water Department. In view of this provision and the fact that the flow of water from the project commenced in October, 1934, we have, as on previous engagements, requested an opinion from the City Attorney as to whether or not the project was completed as of the balance sheet date, within the meaning of the City Charter. In his reply, the City Attorney has stated that, in view of the contemplated construction of a power house at Red Mountain Bar and for other reasons, in his opinion, the project is still far from completion. He further advises that the proposed charter amendment relative to the electric distribution system to be submitted to the electors on November 4, 1941, to which reference has previously been made herein, includes a provision for the permanent creation of the Hetch Hetchy Water Supply Department and the Hetch Hetchy Power Department as separate utilities.

In an opinion, dated February 14, 1940, regarding this question, rendered to the Controller by the City Attorney, the following statement appears:

"As there is additional work to be done on the Hetch Hetchy project before it will be looked upon as completed, I am of the opinion that as yet there is no merger with the San Francisco Water Department and that each project is a separate utility, and should be handled as such, and the income from each applied as provided in the Charter."

Subsequently, the Controller requested a further opinion from the City Attorney as to whether or not the Hetch Hetchy Project, if considered a separate utility, is subject to the rate-making provisions of Section 130 of the City Charter. We understand that to date the City Attorney has not rendered a decision on this point.

## RESERVES FOR DEPRECIATION—\$11,866,673.43

Following is a summary of the reserve for depreciation accounts showing the changes therein during the year under review:

	Total	Water	Power
Balance, June 30, 1940.....	\$10,289,277.51	\$6,403,890.85	\$3,885,386.66
Add:			
Provision for the year computed on the straight-line method applied to the depreciable portions of cost and useful lives of the respective assets, as established by the Bureau of Engineering of the Public Utilities Commission .....	1,581,629.64	1,306,898.81	274,730.83
Additional provision to cover loss on plant retirements (see below*) .....	22,231.45	11,199.23	11,032.22
Adjustments resulting from property account reclassifications..	1,547.75	1,547.75	.....
Total .....	<u>\$11,894,686.35</u>	<u>\$7,723,536.64</u>	<u>\$4,171,149.71</u>
Deduct:			
Plant retirements and cost of removal .....	\$ 29,681.17	\$ 16,993.60	\$ 12,687.57
Less salvage recovered.....	1,668.25	1,269.50	398.75
Remainder .....	<u>\$ 28,012.92</u>	<u>\$ 15,724.10</u>	<u>\$ 12,288.82</u>
Balance, June 30, 1941.....	<u>\$11,866,673.43</u>	<u>\$7,707,812.54</u>	<u>\$4,158,860.89</u>
*Charged to surplus.....		\$ 1,154.54	
Charged to operations (see Exhibit B).....		21,076.91	
Total .....		<u>\$22,231.45</u>	

The Board of Supervisors appropriated \$12,800.00 for reconstruction and replacement expenditures of the Water Supply Division and \$25,321.00 for those of the Power Division during the year, and these amounts were transferred from the project operating fund to the respective reconstruction and replacement funds. The balances in the latter funds at June 30, 1941, which were on deposit with the City Treasurer, aggregated \$289,980.57.

Under Section 128.1 of the City Charter, the Public Utilities Commission is required to provide sufficient funds for reconstruction and replacements due to physical and functional depreciation of each of the utilities under the jurisdiction of the Commission, in accordance with established practice for utilities of similar character.

## CASH

## On Deposit With Treasurer—\$2,419,453.35

The cash on deposit with the Treasurer as of June 30, 1941, is composed of the following funds:

Construction .....	\$ 114,200.92
Bond redemption .....	1,055,000.00
Bond interest .....	862,032.50
Operating .....	96,936.86
Reconstruction and replacement.....	289,980.57
Land purchase .....	1,302.50
Total .....	<u>\$2,419,453.35</u>

These balances were verified by the auditing staff of the Controller's office. We inspected the report on such verification and ascertained that the balances in the respective funds as recorded on the books were in agreement therewith.

**Other—\$8,000.00**

The above amount is composed of revolving funds as indicated below:

	Total	Water	Power
Bank balances (verified by certification obtained from depositaries).....	\$6,174.06	\$3,546.86	\$2,627.20
Cash fund at City Office (verified by count)....	400.00	400.00	.....
Reimbursements in transit, offset by liabilities included in accounts payable.....	1,425.94	1,053.14	372.80
Total .....	<u>\$8,000.00</u>	<u>\$5,000.00</u>	<u>\$3,000.00</u>

**ACCOUNTS RECEIVABLE—\$200,630.02**

The accounts receivable are as follows:

Pacific Gas and Electric Company for power sales from the Moccasin and Early Intake power houses for the month of June, 1941.....	\$200,152.20
Miscellaneous accounts for electric energy, etc.....	477.82
Total .....	<u>\$200,630.02</u>

With the exception of balances aggregating \$31.39, all of the above accounts had been collected at the time of our examination.

**DEFERRED CHARGES**

**Estimated Salvage Value—Corral Hollow Pipe Line—\$275,393.71**

This account represents the estimated salvage value of the Corral Hollow Pipe Line, which has been retired from service, as indicated below:

Value established by the Bureau of Engineering of the Public Utilities Commission, as of June 30, 1938...	\$273,850.00
Add adjustments recorded during the year under review .....	1,543.71
Total .....	<u>\$275,393.71</u>

**Materials and Supplies—\$17,845.31**

The materials and supplies are composed of the following:

Book inventory—Moccasin materials and supplies.....	\$17,503.85
Gasoline and oil at Livermore (book inventory).....	55.46
Postage stamps at City Office (verified by count).....	286.00
Total .....	<u>\$17,845.31</u>

Physical tests of the Moccasin materials and supplies are made by employees throughout the year, and the stock cards are brought into agreement therewith. As of December 31 and May 31 of each year, the balance of the ledger account in the City Office records is adjusted to agree with inventories based upon the Moccasin stock cards.

**Prepaid Rent, Etc.—\$39,953.00**

The composition of the above amount is as follows:

One-half of \$30,000.00 rent due to the United States Government under the Raker Act for the year ending December 19, 1941.....	\$15,000.00
Preliminary investigation and surveys—Cherry River Development .....	18,996.02
Extension of electric energy line to serve Tesla Portal Chlorinating System .....	2,575.50
Work in progress.....	3,381.48
<b>Total .....</b>	<b>\$39,953.00</b>

**BONDED DEBT—\$61,430,000.00**

Following is a summary of the bonds authorized and sold in connection with the Hetch Hetchy Water Supply and Power Project, together with those redeemed and those outstanding as of June 30, 1941:

Issue	Authorized and Sold	Redeemed in Prior Years	Redeemed During Year Under Review	Outstanding, June 30, 1941
Jan. 1, 1909, 4½% .. \$	600,000.00	\$ 600,000.00	.....	.....
July 1, 1910, 4½% ..	45,000,000.00	19,999,000.00	\$1,001,000.00	\$24,000,000.00
Jan. 1, 1925, 5% ..	10,000,000.00	2,750,000.00	250,000.00	7,000,000.00
July 1, 1928, 4½% ..	24,000,000.00	1,200,000.00	600,000.00	22,200,000.00
June 1, 1932:				
5¾% .....	4,325,000.00	328,000.00	130,000.00	3,867,000.00
5% .....	1,234,000.00	42,000.00	8,000.00	1,184,000.00
4½% .....	143,000.00	.....	12,000.00	131,000.00
4% .....	280,000.00	20,000.00	.....	260,000.00
3% .....	194,000.00	.....	.....	194,000.00
2¾% .....	324,000.00	.....	5,000.00	319,000.00
Dec. 1, 1933, 4% ..	3,500,000.00	1,050,000.00	175,000.00	2,275,000.00
<b>Total .....</b>	<b>\$89,600,000.00</b>	<b>\$25,989,000.00</b>	<b>\$2,181,000.00</b>	<b>\$61,430,000.00</b>

**BOND INTEREST—\$1,394,902.49**

The composition of this liability is as follows:

	Total	Due July 1, 1941	Matured, Not Paid	Accrued, Not Due
July 1, 1910, 4½% .....	\$ 566,122.50	\$ 540,000.00	\$ 26,122.50	.....
Jan. 1, 1925, 5% .....	179,725.00	175,000.00	4,725.00	.....
July 1, 1928, 4½% .....	511,762.50	499,500.00	12,262.50	.....
June 1, 1932:				
5¾% .....	68,520.83	.....	50,226.25	\$18,294.58
5% .....	16,458.34	.....	11,525.00	4,933.34
4½% .....	1,050.00	.....	562.50	487.50
4% .....	2,426.66	.....	1,560.00	866.66
3% .....	1,550.00	.....	1,065.00	485.00
2¾% .....	3,263.33	.....	2,543.75	719.58
Dec. 1, 1933, 4% .....	44,023.33	.....	36,440.00	7,583.33
<b>Total .....</b>	<b>\$1,394,902.49</b>	<b>\$1,214,500.00</b>	<b>\$147,032.50</b>	<b>\$33,369.99</b>

# **CONTRACTS, PURCHASE ORDERS AND OTHER COMMITMENTS—\$13,085.92**

These liabilities, which have been reconciled with the Controller's records, are as follows:

Contracts .....	\$ 2,882.79
Purchase orders .....	7,719.19
Miscellaneous .....	2,483.94
Total .....	<u>\$13,085.92</u>

# **WARRANTS OUTSTANDING—\$40,294.36**

Following is a summary of the warrants outstanding as of June 30, 1941, which were verified by comparison with the records maintained in the Controller's office:

Fund	Amount
Operating .....	\$19,749.29
Reconstruction and replacement.....	5.25
Construction .....	20,539.82
Total .....	<u>\$40,294.36</u>

# **SURPLUS—\$34,137,596.21**

The changes in the surplus accounts of the project are reflected in the following summary:

Balance, June 30, 1940, per audit report.....\$33,401,019.14

Add:

Contributions from taxes for bond interest and redemption .....	\$1,615,158.32
Contribution through general fund from the San Francisco Water Department for bond interest and redemption.....	454,425.00
Contribution from San Francisco Water Department for operating expenses.....	223,414.30
Adjustment of loss on retirement of Corral Hollow Pipe Line.....	88,942.18
Miscellaneous .....	2,812.11

Total .....	<u>2,384,751.91</u>
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Total .....	<u>\$35,785,771.05</u>
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Deduct:

Net loss for the year, per Exhibit B. ....	\$1,645,472.55
Miscellaneous .....	2,702.29

Total deductions .....	<u>1,648,174.84</u>
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Balance, June 30, 1941.....	<u>\$34,137,596.21</u>
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## CONTINGENT LIABILITIES

According to information furnished to us by the City Attorney, the following contingent liabilities were in existence as of June 30, 1941, by reason of pending litigation or otherwise:

Relating to raising of the O'Shaughnessy Dam:

Claim of contractor, per decision handed down by the Special Master .....	\$834,627.59
Patent infringement claim, in connection with which the Controller has withheld payment to the contractor of the sum of \$20,000.00 .....	15,000.00

Other:

Sales tax on equipment sold, claimed by the State of California..	4,418.17
United States Government, for maintenance of roads and trails for the fiscal years 1928 to 1939, inclusive.....	25,294.23

In addition to the above, approximately sixty-five riparian law suits are pending in Stanislaus, San Joaquin, Tuolumne, Contra Costa, and Alameda counties, as well as other suits resulting from the drying up of springs and wells on ranches along the line of the Hetch Hetchy Aqueduct.

Yours truly,

JOHN F. FORBES & COMPANY.

# EXHIBIT A HETCH HETCHY WATER SUPPLY AND POWER PROJECT BALANCE SHEET, JUNE 30, 1941

ASSETS		LIABILITIES	
PROPERTIES (see comments):		BONDED DEBT:	
Fixed capital in service.....	\$105,631,492.10	Due July 1, 1941.....	\$ 1,600,000.00
Fixed capital under construction.....	3,778.21	Due December 1, 1941, to July 1, 1977.....	59,775,000.00
Amazon and Glen Park reservoir sites (nonoperative) .....	460,925.00	Matured bonds not presented for payment....	55,000.00
Total .....	\$106,096,195.31	Total bonded debt.....	\$61,430,000.00
Less reserves for depreciation.....	11,866,673.43	BOND INTEREST:	
Remainder, depreciated value.....	\$94,229,521.88	Due July 1, 1941.....	\$ 1,214,500.00
CASH:		Matured coupons not presented for payment..	147,032.50
On deposit with treasurer.....	\$ 2,419,452.35	Accrued, not due.....	33,369.99
Other .....	8,000.00	ACCOUNTS PAYABLE:	
Total cash .....	2,427,453.35	Contracts, purchase orders, and other commit- ments .....	\$ 13,085.92
ACCOUNTS RECEIVABLE .....	200,630.02	Warrants outstanding .....	40,294.36
INTERFUND ACCOUNTS:		Rental due United States Government under the Raker Act .....	30,000.00
Public service enterprises.....	\$ 103,420.31	Total accounts payable.....	83,380.28
General city and county.....	25,731.13	INTERFUND ACCOUNTS:	
Total interfund accounts.....	129,151.44	Public service enterprises.....	\$ 3,616.63
DEFERRED CHARGES:		General city and county.....	252,178.07
Estimated salvage value—Corral Hollow Pipe Line .....	\$ 275,393.71	Total interfund accounts.....	255,794.70
Materials and supplies.....	17,845.31	DEFERRED CREDITS:	
Uncompleted contracts, purchase orders, and other commitments .....	4,176.45	Operating reserves .....	\$ 8,258.91
Prepaid rent, etc.....	39,953.00	Advances for work not yet performed:	
Total deferred charges.....	337,368.47	San Francisco Water Department.....	14,156.74
		Municipal Railway .....	35.83
TOTAL .....	\$97,324,125.16	Total deferred credits.....	22,451.48
		SURPLUS (see comments) .....	34,137,596.21
		TOTAL .....	\$97,324,125.16

NOTE: See accompanying comments with respect to contingent liabilities.





HECH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF OPERATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1941

<b>REVENUES:</b>					
<b>Power sales:</b>					
Moccasin Power House:					
Through the Pacific Gas and Electric Company.	\$8,583,046.05				
Less distribution commission.....	6,271,202.57				
Remainder .....	\$2,311,843.48				
Miscellaneous .....	154.43				
Total .....	\$2,311,997.91				
Early Intake Power House:					
Through the Pacific Gas and Electric Company.....	\$ 328,814.99				
Less distribution commission.....	240,248.68				
Remainder .....	\$ 88,566.31				
Miscellaneous .....	3,005.44				
Total .....	\$ 91,571.75				
Total power sales.....	\$2,403,569.66				
Sale of water to Hetch Hetchy Power Division (see contra) .....	*\$ 735,474.00				
Standby charge and sale of water—San Francisco Water Department.....	773,284.00				
Total operating revenues.....	\$1,508,758.00				
Other revenues:					
Rents .....	\$ 2,488.75				
Meals .....					
Miscellaneous .....	2,686.94				
Total .....	473.15				
Total .....	\$ 2,961.90				
Total revenues .....	\$1,511,719.90				
EXPENSES:					
Purchase of water from Hetch Hetchy Water Supply (see contra) .....					
Production (Schedule 1) .....	\$ 211,172.80				
Transmission (Schedule 2) .....	28,748.59				
Administrative and general (Schedule 3) .....	137,857.91				
Total expenses .....	\$ 377,779.30				
NET INCOME BEFORE DEDUCTING BOND INTEREST, PROVISION FOR DEPRECIATION AND PROPERTY LOSSES .....	\$2,805,903.38				
BOND INTEREST .....	\$1,289,950.32				
NET LOSS BEFORE DEDUCTING PROVISION FOR DEPRECIATION AND PROPERTY LOSSES .....	2,848,669.38				
DEDUCT:					
Provision for depreciation.....	\$1,581,629.64				
Loss on plant retirements.....	21,076.91				
Total .....	1,602,706.55				
NET LOSS TRANSFERRED TO SURPLUS .....	\$1,645,472.55				

NOTE: The agency contract with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power has been found by the United States Supreme Court to be in violation of the Raker Act. The effective date of the injunction to be issued has been extended to June 30, 1942. See accompanying comments for further details.



## EXHIBIT B—SCHEDULE 1

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF PRODUCTION EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1941**

	Total	Water Supply	Power
<b>OPERATION:</b>			
Superintendence .....	\$ 8,404.08	.....	\$ 8,404.08
Hydraulic labor .....	1,800.00	.....	1,800.00
Station labor .....	44,510.11	.....	44,510.11
Miscellaneous labor .....	30,404.69	\$ 23,269.83	7,134.86
Contributions to retirement system....	3,773.73	1,042.87	2,730.86
Supplies and expenses.....	16,954.48	1,671.73	15,282.75
Total .....	<u>\$105,847.09</u>	<u>\$ 25,984.43</u>	<u>\$79,862.66</u>
<b>MAINTENANCE:</b>			
Buildings and structures.....	\$ 36,361.64	\$ 23,414.81	\$12,946.83
Reservoirs, dams, and intakes.....	6,438.85	6,438.85	.....
Waterways .....	4,739.18	4,739.18	.....
Pipelines .....	8,415.17	8,415.17	.....
Forebays, penstocks, and tailraces....	1,808.55	.....	1,808.55
Roads and trails.....	17,290.89	17,290.89	.....
Aqueduct tunnels .....	4,175.43	4,175.43	.....
Hydraulic power plant equipment.....	3,609.30	.....	3,609.30
Miscellaneous equipment, etc.....	5,808.78	5,341.29	467.49
Automotive transportation equipment, less transportation charges distrib- uted .....	3,258.11	3,258.11	.....
Total .....	<u>\$ 91,905.90</u>	<u>\$ 73,073.73</u>	<u>\$18,832.17</u>
<b>MISCELLANEOUS:</b>			
Rent .....	\$ 196.68	\$ 196.68	.....
Communication system .....	7,560.78	7,560.78	.....
Hydrography .....	5,662.35	5,662.35	.....
Total .....	<u>\$ 13,419.81</u>	<u>\$ 13,419.81</u>	<u>.....</u>
<b>TOTAL .....</b>	<u><u>\$211,172.80</u></u>	<u><u>\$112,477.97</u></u>	<u><u>\$98,694.83</u></u>

## EXHIBIT B—SCHEDULE 2

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF POWER TRANSMISSION EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1941**

## OPERATIONS:

Superintendence .....	\$ 3,075.83	
Transmission line labor .....	10,206.86	
Transmission line supplies and expenses .....	1,041.67	
Contributions to retirement system .....	563.47	
Total .....		\$14,887.83

## MAINTENANCE:

Transmission structures .....	\$ 128.73	
Substation equipment .....	3,520.22	
Towers and fixtures .....	18.87	
Tower line conductors .....	2,831.63	
Poles and fixtures .....	6,542.02	
Pole line conductors .....	290.92	
Miscellaneous .....	498.37	
Total .....		13,830.76

## MISCELLANEOUS—TRANSMISSION RENTS.....

30.00

TOTAL ..... \$28,748.59

## EXHIBIT B—SCHEDULE 3

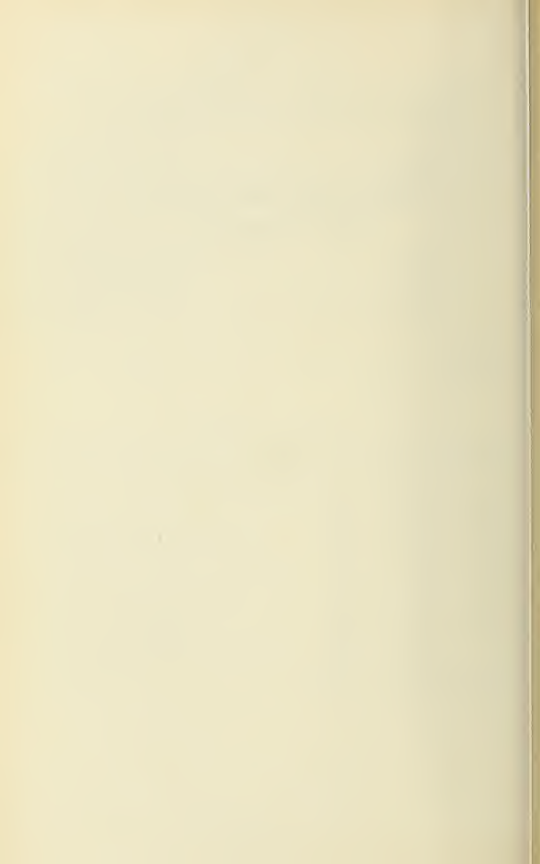
**HETCH HETCHY WATER SUPPLY AND POWER PROJECT  
STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1941**

	Total	Water Supply	Power
Salaries and wages .....	\$ 37,320.06	\$ 32,471.33	\$ 4,848.73
Contributions to retirement system .....	1,478.42	1,289.10	189.32
Services of other departments .....	16,195.35	1,524.27	14,671.08
Professional services .....	3,150.02	1,621.37	1,528.65
Stationery, office supplies, and postage .....	1,312.57	1,203.52	109.05
Telephone and telegraph .....	329.20	131.08	198.12
Traveling and other expenses .....	711.42	314.53	396.89
Automobile and other insurance .....	1,655.55	1,416.63	238.92
Water rights and damage claims .....	24,321.72	24,321.72	.....
Raker Act and other litigation .....	10,755.60	4,516.85	6,238.75
Injuries and damages .....	1,230.35	1,128.73	101.62
Rent paid under Raker Act .....	30,000.00	30,000.00	.....
City, county, and irrigation district taxes ..	9,124.95	9,124.95	.....
Miscellaneous .....	272.70	227.53	45.17
Total .....	<u>\$137,857.91</u>	<u>\$109,291.61</u>	<u>\$28,566.30</u>

# **Municipal Railway of San Francisco**

## **Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1941**



**WILLIAM DOLGE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 BALFOUR BUILDING, 351 CALIFORNIA STREET  
 SAN FRANCISCO, CALIFORNIA

October 10, 1941.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

In accordance with your instructions issued under the powers delegated to you by Ordinance No. 9.0621 finally passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the

**MUNICIPAL RAILWAY OF SAN FRANCISCO**

as of June 30, 1941, and of the statements of income and surplus for the year then ended. We have reviewed the system of internal control and the accounting procedure of the Railway and, without making a detailed audit of the transactions, have examined or tested accounting records of the Railway and other supporting evidence by methods and to the extent we deemed appropriate.

Mr. David F. Supple, consultant to the Grand Jury, participated in the examination.

Upon the conclusion of this attention there are presented:

Exhibit A—BALANCE SHEET AS AT JUNE 30, 1941

Exhibit B—SURPLUS ACCOUNT (For the fiscal year ended  
 June 30, 1941)

Exhibit C—INCOME STATEMENT (For the fiscal years ended  
 June 30, 1941 and 1940)

Schedule 1—FIXED CAPITAL AS AT JUNE 30, 1941

In the foregoing statements and in the comments thereon various data relating to the year ended June 30, 1940 has been used for comparative purposes. This data has been abstracted from the report of the auditors for that year.

**CONDENSED COMPARATIVE BALANCE SHEETS**

Condensed comparative balance sheets as of June 30, 1941 and June 30, 1940 follow:

**ASSETS**

	June 30, 1941	June 30, 1940	Increase Decrease*
Fixed Capital .....	\$4,314,598.05	\$4,156,498.47	\$158,099.58
Cash .....	1,314,116.44	1,398,572.99	84,456.55*
Accounts Receivable .....	10,340.81	8,386.68	1,954.13
Interfund Accounts Receivable.....	56,277.43	56,500.59	223.16*
Deferred Charges .....	423,834.68	701,524.45	277,689.77*
	<u>\$6,119,167.41</u>	<u>\$6,321,483.18</u>	<u>\$202,315.77*</u>

**LIABILITIES AND SURPLUS**

	June 30, 1941	June 30, 1940	Increase Decrease*
Bonded Debt .....	\$1,203,800.00	\$1,300,400.00	\$ 96,600.00*
Bond Interest Payable.....	15,167.50	16,924.16	1,756.66*
Accounts Payable .....	335,660.78	507,077.90	171,417.12*
Interfund Accounts Payable.....	59,848.08	164,540.14	104,692.06*
Reserves .....	106,139.58	96,098.55	10,041.03
Surplus .....	4,398,551.47	4,236,442.43	162,109.04
	<u>\$6,119,167.41</u>	<u>\$6,321,483.18</u>	<u>\$202,315.77*</u>



## OPERATIONS

A condensed summary of operations for the fiscal year ended June 30, 1941 comparative with operations for the preceding fiscal year follows:

	Fiscal Year Ended		Increase
	June 30, 1941	June 30, 1940	Decrease*
Operating revenue .....	\$4,103,523.75	\$4,180,591.61	\$ 77,067.86*
Operating expenses .....	3,885,063.14	3,848,401.22	36,661.92
Operating income .....	\$ 218,460.61	\$ 332,190.39	\$113,729.78*
Other income .....	10,962.31	11,144.94	182.63*
	\$ 229,422.92	\$ 343,335.33	\$113,912.41*
Other deductions .....	5,230.54	.....	5,230.54
	\$ 224,192.38	\$ 343,335.33	\$119,142.95*
Bond interest .....	62,083.34	67,083.33	4,999.99*
Net income .....	\$ 162,109.04	\$ 276,252.00	\$114,142.96*
Operating data:			
Car mileage operated:			
Street cars .....	8,403,879	8,740,518	336,639*
Buses .....	1,862,159	1,317,798	544,361
Total .....	10,266,038	10,058,316	207,722
Car hours operated:			
Street cars .....	886,731	920,004	33,273*
Buses .....	177,707	129,716	47,991
Total .....	1,064,438	1,049,720	14,718

During the fiscal year ended June 30, 1941 service on four new bus lines was inaugurated and service on one bus line was consolidated with an existing line. The increased revenue due to the extension of the bus lines did not compensate or offset the loss of revenue on street car operations.

### Taxes:

Section 64 of the Charter of the City and County of San Francisco requires that the accounts of the municipally owned utilities include estimates of the amount of taxes that would be chargeable against such property and against the revenue thereof if privately owned and operated. The Municipal Railway maintains memorandum accounts to record the estimated amounts of such taxes. These amounts have not been charged against operations but have been recorded in the memorandum accounts as follows:

City franchise tax.....	\$ 26,324.10
City property tax.....	101,442.45
	\$127,766.55
Water furnished by the San Francisco Water Dept.,	1,779.52
	\$129,546.07

City franchise tax is calculated at .6415 per cent of passenger and advertising revenue, that being the rate assessed to the Market Street Railway Company as set by Ordinance 15,0919, passed on June 10, 1935.

Because no assessed valuation has been made of the properties of the Municipal Railway the amount recorded as city property tax has been calculated on the basis of 2.5 per cent of passenger revenue, that being the approximate relationship existing in 1934 between revenue of, and tax assessed to, the Market Street Railway Company. A comprehensive review of this basis may be desirable to conform to methods presently used for assessment of properties of privately owned utility companies in the State of California.

No estimate has been made for Federal income, capital stock, excess profits and payroll taxes and for State franchise and payroll taxes. So many indeterminate factors enter into the computation of such taxes that accurate estimates are impracticable. Payments made by the Railway to the City and County Employees Retirement System exceed existing rates for Federal and State payroll taxes.

### BALANCE SHEET COMMENTS

**Fixed Capital**—\$4,314,598.05 consists of road and equipment \$10,780,556.15 plus new construction in progress \$92,943.97, total \$10,873,500.12 less reserve for depreciation \$6,558,902.07. Fixed capital, detailed in Schedule 1, is summarized as follows:

	Road and Equipment	Reserve for Depreciation
Balance June 30, 1940 per Audit Report.....	\$10,570,788.05	\$6,414,289.58
Additions:		
New property and equipment acquired.....	203,571.52	.....
New construction in progress and uncompleted.	37,200.22	.....
Replacement of existing road and equipment...	309,134.00	.....
Provision for depreciation.....	.....	386,028.57
	<u>\$11,120,693.79</u>	<u>\$6,800,318.15</u>
Deductions:		
Estimated cost of road and equipment replaced and retired and depreciation thereon.....	247,193.67	241,416.08
Balance June 30, 1941.....	<u>\$10,873,500.12</u>	<u>\$6,558,902.07</u>

Withdrawal of the Putnam suit (*Luther L. Putnam vs. City and County of San Francisco et al*) against the City and County of San Francisco enabled the Railway to continue new construction and replacement projects which had been stopped pending final disposition of the suit. The principal new construction projects completed during the year, or in progress at June 30, 1941, were the Howard Street trolley bus line, a bus garage, additional motor buses and extension of the Seventeenth Street storage yard. The replacement of certain major sections of the Geary Street track and the replacement of obsolete buses and automotive equipment were the principal reconstruction and replacement projects completed during the year, or in progress at June 30, 1941.

We examined the supporting documents covering the principal additions to the fixed capital accounts for the year ended June 30, 1941. Recorded retirements were developed by engineers of the Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau.

Provision for depreciation has been based upon the estimated remaining useful life as determined by engineers for the Railway as of June 30, 1938, and is consistent with the method followed in the previous year.

**Cash**—\$1,314,116.44 consists of cash on deposit with Treasurer \$1,307,616.44 and revolving funds \$6,500.00.

Cash on deposit with the Treasurer of the City and County of San Francisco is held in the following funds:

Operating fund .....	\$ 764,797.79
Reconstruction and replacement fund.....	310,532.17
Bond interest fund.....	10,167.50
Bond redemption fund.....	3,800.00
Surplus fund .....	218,318.98
	<u>\$1,307,616.44</u>

These balances were confirmed directly to us by the Treasurer and were verified as of June 30, 1941 by the audit staff of the Controller's office. We inspected the report on such verification and ascertained that the balances

in the respective funds were as recorded on the books and confirmed by the Treasurer.

At June 30, 1941 there was due to the reconstruction and replacement fund from the operating fund a net amount of \$76,566.91.

Revolving fund of \$6,500.00 was composed of:

Cash in banks.....	\$2,451.68
Petty cash funds.....	75.00
Deposit with Bond and Warrant Clerk, Hall of Justice..	100.00
Disbursements pending reimbursement.....	3,692.83
Disbursements for which Controller has refused reimbursement .....	180.49
	<u>\$6,500.00</u>

Cash in banks was verified by certification obtained from the depositaries and reconciliation to the books. Petty cash funds were counted, and the deposit was confirmed to us by the Bond and Warrant Clerk. The items for which the Controller has refused reimbursement consist principally of accident claims not filed with the Controller's office within the prescribed period.

**Accounts Receivable—\$10,340.81** represents amounts due from various firms for track and pole rental and for advertising contracts \$15,571.35, less reserve for bad debts \$5,230.54. These amounts were verified by inspection of copies of billings and related agreements. Direct confirmation from the recorded debtors was not requested but it was noted that a major part of accounts had been paid at the date of our examination. Included in the total accounts receivable was an amount of \$5,230.54 due from the R. C. Scott Advertising Co. We are informed that this firm is bankrupt and that the balance due is doubtful of collection. Therefore a reserve for bad debts has been established to offset the entire amount.

**Interfund Accounts Receivable—\$56,277.43** have been confirmed with the Controller's records and are composed of the following:

General fund:

Advance for transit survey.....	\$55,000.00
Interest on cash balances for quarter ended June 30,	
1941 .....	654.10
	<u>\$55,654.10</u>
Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau—Refund of unexpended operating advance .....	603.09
Retirement system .....	20.24
	<u>\$56,277.43</u>

Advance for transit survey \$55,000.00 is being held in interfund accounts receivable pending action by the Board of Supervisors on an ordinance designed to cancel the original appropriation from the Reconstruction and Replacement Fund and to make a new appropriation from the Railway Surplus Fund.

**Deferred Charges—\$423,834.68** The inventory of materials and supplies, stated at cost \$214,978.89 less a reserve for obsolescence \$4,607.36, has been prepared from book records at June 30, 1941. Physical inventories were taken periodically during the year under review and the necessary adjustments were made to bring the records into agreement with the physical counts. We have made tests of the basis of pricing, and of the correctness of footings, extensions and listings. Additionally the procedure for taking the physical inventory was reviewed and limited tests were made of quantities on hand. A reserve for obsolete and slow-moving materials and supplies of \$12,000.00 was estab-

lished at June 30, 1940. During the year under review charges to the reserve reduced the balance to \$4,607.36 at June 30, 1941. This balance is deemed adequate to cover obsolete materials and supplies remaining in the inventory on that date.

We have made tests of charges to replacement jobs in progress which aggregated \$39,169.23 at June 30, 1941. The major replacement jobs in progress are the laying of track on certain sections of Geary Street. Assets being replaced will be removed from fixed capital accounts upon the completion and capitalization of replacement jobs.

Commitments—contra represents the offsetting debit to the liability provided for encumbrances. It is the practice of the City and County of San Francisco to reflect encumbrances as a liability in proprietary balance sheets to facilitate reconciliation with fund balance sheets.

**Bonded Debt—\$1,203,800.00** consists of \$1,200,000.00 bonded debt of the Municipal Railway, a general obligation of the City and County of San Francisco, maturing \$100,000.00 annually to December 1, 1952, and \$3,800.00 of matured bonds not presented for payment. We confirmed the bonded debt at June 30, 1941 by reference to the records of the Controller.

**Bond Interest Payable—\$15,167.50** represents matured coupons not presented for payment \$10,167.50 and accrued interest for the month of June 1941 \$5,000.00. Interest at the rate of 5% per annum is payable semi-annually on the first day of June and December.

**Accounts Payable—\$335,660.78** The liability for contracts, purchase orders, etc., represented by warrants outstanding and encumbrances, is in agreement with the records of the Controller. Expenditures for which the Controller has not recorded encumbrances are provided for by a reserve for unencumbered expenditures in amount of \$14,777.65.

**Interfund Accounts Payable—\$59,848.08** have been confirmed with the records of the Controller and consist of the following:

General city and county:

General Fund .....	\$39,883.18	
Employees Retirement System .....	12,433.23	
County Roads Fund .....	5,468.83	\$57,785.24

Other public service enterprises:

San Francisco Water Department .....	\$ 909.59	
Public Utilities Commission .....	13.92	
Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau .....	1,139.33	2,062.84
		<u>\$59,848.08</u>

**Reserves—\$106,139.58** The reserve for accident claims is provided, mainly by charges to operations, for the payment of accident claims and expenses incidental thereto. A summary of the transactions affecting the reserve follows:

Balance June 30, 1940 .....	\$ 90,230.53
Add 3% of operating revenue charged to operations during the year .....	123,105.71
	<u>\$213,336.24</u>

Deduct claims and expenses paid:

Personal injury claims .....	\$73,433.97
Property damage claims .....	6,705.53
Hospital and doctors fees, etc. ....	13,679.34
Salaries and wages .....	28,165.47
	<u>121,984.31</u>

Balance June 30, 1941 .....	<u>\$ 91,351.93</u>
-----------------------------	---------------------

We examined warrants, claims, invoices, resolutions of the Public Utilities Commission, etc., in support of charges to the reserve and satisfied ourselves as to the propriety of the charges.

**Surplus**—\$4,398,551.47 consists of contributed surplus \$1,568,261.80 and earned surplus \$2,830,289.67 as set forth in Exhibit B.

We are informed that contributed surplus will be increased by the value of a quantity of steel poles on Howard Street secured by agreement from the Market Street Railway Company. The value of these poles has not yet been determined by the engineers.

Earned surplus has been increased during the fiscal year ended June 30, 1941 by net income in the amount of \$162,109.04.

### GENERAL

#### **Litigation.**

We have been advised by the City Attorney's office that, to their knowledge, there are no contingent liabilities other than accident claims. The Reserve for Accidents \$91,351.93 at June 30, 1941 plus additions at 3% of operating revenue, is deemed by Railway officials to be adequate.

#### **Insurance.**

The Municipal Railway carries full coverage on automobiles and trucks and interior robbery insurance. The Railway also carries fire insurance on automotive buses and trolley buses. No other insurance is carried. No reserves, other than for accident claims, are provided.

Faithfully yours,

WILLIAM DOLGE & COMPANY.

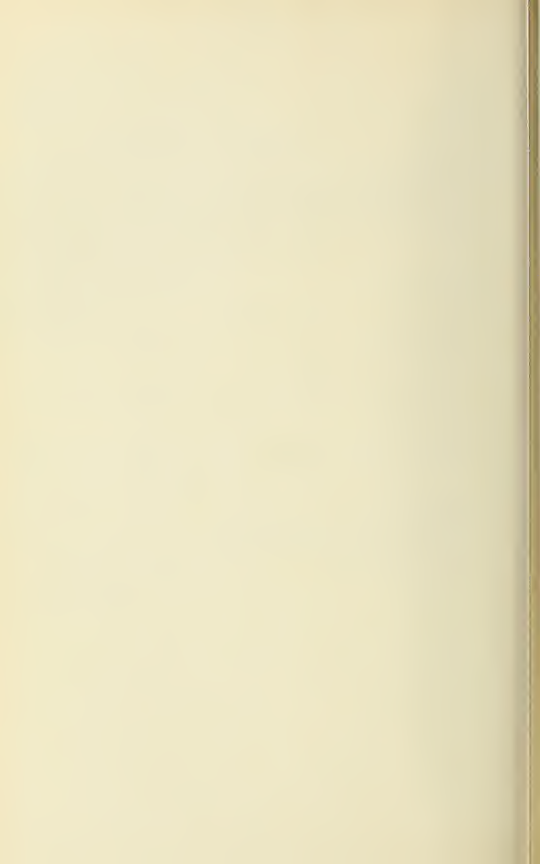
MUNICIPAL RAILWAY OF SAN FRANCISCO

EXHIBIT A

BALANCE SHEET

As at June 30, 1941

ASSETS		LIABILITIES AND SURPLUS	
FIXED CAPITAL		BONDED DEBT	
Road and equipment.....	\$10,780,556.15	Issue of December 1, 1913, 5%, maturing \$100,000.00 annually to December 1, 1952.....	\$1,200,000.00
New construction in progress.....	92,943.97	Matured bonds not presented for payment.....	3,800.00
	\$10,873,500.12		
Less reserve for depreciation.....	6,558,902.07	BOND INTEREST PAYABLE	
CASH		Matured coupons not presented for payment... \$	10,167.50
On deposit with Treasurer.....	\$ 1,307,616.44	Accrued—not due .....	5,000.00
Revolving funds .....	6,500.00		
ACCOUNTS RECEIVABLE (other than interfund)		ACCOUNTS PAYABLE (other than interfund)	
Accounts receivable .....	\$ 15,571.35	Warrants outstanding .....	\$ 124,765.28
Less reserve for bad debts.....	5,230.54	Contracts, purchase orders, etc.....	
	10,340.81	For materials and services received.....	36,682.41
INTERFUND ACCOUNTS RECEIVABLE		Commitments—contra .....	174,213.09
General city and county.....	\$ 55,674.34	INTERFUND ACCOUNTS PAYABLE	
Other public service enterprises.....	603.09	General city and county.....	\$ 67,785.24
		Other public service enterprises.....	2,062.84
DEFERRED CHARGES			
Materials and supplies.....	\$ 214,978.89	RESERVES	
Less reserve for obsolescence.....	4,607.36	For accident claims.....	\$ 91,351.93
		For unencumbered expenditures.....	14,777.65
	\$ 210,371.53	Other—deferred credit .....	10.00
Replacement jobs in progress.....	39,169.23	SURPLUS—EXHIBIT B	
Other deferred charges.....	80.83	Contributed surplus .....	\$1,668,261.80
Commitments—contra (goods and services re- ceivable under contracts, purchase orders, etc.) .....	174,213.09	Earned surplus .....	2,830,289.67
	423,834.68		
	\$6,119,167.41		\$6,119,167.41



## MUNICIPAL RAILWAY OF SAN FRANCISCO

## EXHIBIT B

## SURPLUS

For the Year Ended June 30, 1941

## CONTRIBUTED SURPLUS:

Balance as at June 30, 1940:

From general taxes.....\$1,501,745.31

Donated road and equipment..... 61,637.61

Salvage from abandoned Market Street Railway Company

lines ..... 4,878.88

Balance as at June 30, 1941.....\$1,568,261.80

## EARNED SURPLUS:

Balance as at June 30, 1940 from operations.....\$2,668,180.63

Add net income for the year ended June 30, 1941—Exhibit C.. 162,109.04

Balance June 30, 1941.....\$2,830,289.67



## MUNICIPAL RAILWAY OF SAN FRANCISCO

## EXHIBIT C

## INCOME STATEMENT

For the Years Ended June 30, 1941 and June 30, 1940

OPERATING REVENUE:	Year ended		Increase
	June 30, 1941	June 30, 1940	Decrease*
Passenger .....	\$4,057,697.88	\$4,135,902.62	\$ 78,204.74*
Other .....	45,825.87	44,688.99	1,136.88
Total operating revenue...	<u>\$4,103,523.75</u>	<u>\$4,180,591.61</u>	<u>\$ 77,067.86*</u>
OPERATING EXPENSES:			
Maintenance of ways and structures .....	\$ 189,465.57	\$ 182,543.56	\$ 6,922.01
Maintenance of equipment.....	255,296.74	235,222.22	20,074.52
Power .....	530,876.81	550,533.44	19,656.63*
Conducting transportation .....	2,056,891.99	2,044,264.87	12,627.12
Provision for accident claims and expenses incidental thereto...	123,105.71	155,471.75	32,366.04*
General and miscellaneous.....	343,397.75	301,995.47	41,402.28
	<u>\$3,499,034.57</u>	<u>\$3,470,031.31</u>	<u>\$ 29,003.26</u>
Provision for depreciation.....	386,028.57	378,369.91	7,658.66
Total operating expenses...	<u>\$3,885,063.14</u>	<u>\$3,848,401.22</u>	<u>\$ 36,661.92</u>
OPERATING INCOME....	\$ 218,460.61	\$ 332,190.39	\$113,729.78*
OTHER INCOME:			
Sale of scrap, etc.....	8,107.78	7,469.12	638.66
Interest on cash balances.....	2,854.53	3,675.82	821.29*
	<u>\$ 229,422.92</u>	<u>\$ 343,335.33</u>	<u>\$113,912.41*</u>
OTHER DEDUCTIONS:			
Provision for bad debts.....	5,230.54	.....	5,230.54
Net income before bond interest .....	\$ 224,192.38	\$ 343,335.33	\$119,142.95*
BOND INTEREST .....	62,083.34	67,083.33	4,999.99*
NET INCOME .....	<u>\$ 162,109.04</u>	<u>\$ 276,252.00</u>	<u>\$114,142.96*</u>
COMPARISON CHARGES:			
Provision for franchise and property taxes as required by Section 64 of the Charter—estimated .....	\$ 127,766.55	\$ 130,227.60	\$ 2,461.05*
Water furnished free of charge by the San Francisco Water Department .....	1,779.52	1,884.29	104.77*
	<u>\$ 129,546.07</u>	<u>\$ 132,111.89</u>	<u>\$ 2,565.82*</u>

MUNICIPAL RAILWAY OF SAN FRANCISCO  
SCHEDULE 1—FIXED CAPITAL—JUNE 30, 1941

[illegible]

WAYS AND STRUCTURES:

EQUIPMENT:

## TOTAL WAYS AND STRUCTURES.

[illegible]

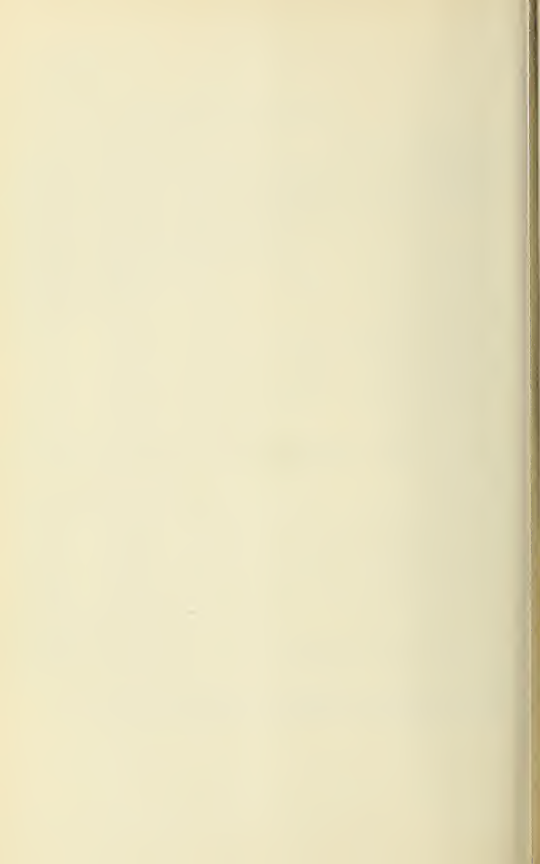
## TOTAL ROAD AND EQUIPMENT.

CONSTRUCTION IN PROGRESS									
TOTAL EQUIPMENT									
Passenger cars—electric	\$ 1,775,168.85	\$121,787.93	\$ 1,896,956.78	\$1,251,076.16	\$ 69,445.69	\$1,320,521.85	10/30	95/100	3,903
Passenger cars—buses	317,904.42	\$ 19,448.74	397,592.57	86,942.26	43,219.20	\$18,848.74	3/7	95	13,595
Service equipment—electric	11,071.11	.....	11,071.11	8,196.80	327.22	.....	30/40	95/100	2,956
—automotive	35,316.21	5,578.48	34,768.04	21,829.43	3,478.30	5,261.65	4/18	95/100	9,849
Electric equipment—cars	866,541.51	.....	866,541.51	614,476.30	34,966.76	649,443.06	14/40	95/100	3,969
Shop equipment	44,295.69	113.96	43,659.65	35,692.92	1,636.30	36,579.22	1/30	75/100	3,694
Furniture and office equipment	39,253.13	821.81	39,995.23	24,322.68	2,117.57	26,383.04	5/25	90/100	5,373
TOTAL EQUIPMENT									
	\$ 3,089,550.92	\$227,439.07	\$ 3,290,584.89	\$2,042,536.55	\$155,191.04	\$ 24,917.60			
	\$ 55,743.75	\$ 37,200.22	\$ 92,943.97						
CONSTRUCTION IN PROGRESS									

\*Indicates composite rate.

NOTE 1.—Estimated useful life of assets has been determined by engineers of the Public Utilities Commission in connection with their appraisal as of June 30, 1938.

NOTE 2.—It is the policy of the Railway to compute depreciation for the year only on assets acquired prior to the beginning of the year.



# San Francisco Airport—Mills Field

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1941

(Wherever italic figures appear in this Report, they indicate red figures)

## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CONTROLLER

October 23, 1941.

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

## SAN FRANCISCO AIRPORT—MILLS FIELD

Examination of Accounts for the Year Ended June 30, 1941

Dear Sir:

Under your direction and pursuant to the provision of Charter Section 66, an examination has been made of the accounts of the San Francisco Airport at Mills Field for the year ended June 30, 1941. Mr. David F. Supple, Consultant and Statistician to the Grand Jury, participated.

The following schedules, based on this examination, are submitted herewith:

Exhibit A—Balance Sheet, June 30, 1941.

Exhibit B—Comparative Statement of Revenues and Expenses for the years ended June 30, 1941 and 1940.

The examination was limited to the verification of assets and liabilities as of June 30, 1941, and an analytical review and test check of the revenues and expenses of the fiscal year ended as of that date. A general review of the accounting methods was made and the accounting records and other supporting evidence were examined or tested in a manner and to the extent considered appropriate in view of the system of internal accounting control. Verification of the property accounts was limited to a review of the recorded additions and retirements during the year.

The operations of the Airport at Mills Field appear to conform to prescribed procedure therefor, except in the matter of the establishment of rates as provided in Section 130 of the Charter. In accordance with its Resolution 2871 dated September 12, 1938, approved by the Board of Supervisors' Resolution 4247, the Public Utilities Commission adopted a schedule of rates to be charged commercial air line transportation companies. Rates for other services and rules for the extension of credit have not been established by official action of the Public Utilities Commission.

Detailed findings, comments and recommendations resulting from this examination are submitted separately.

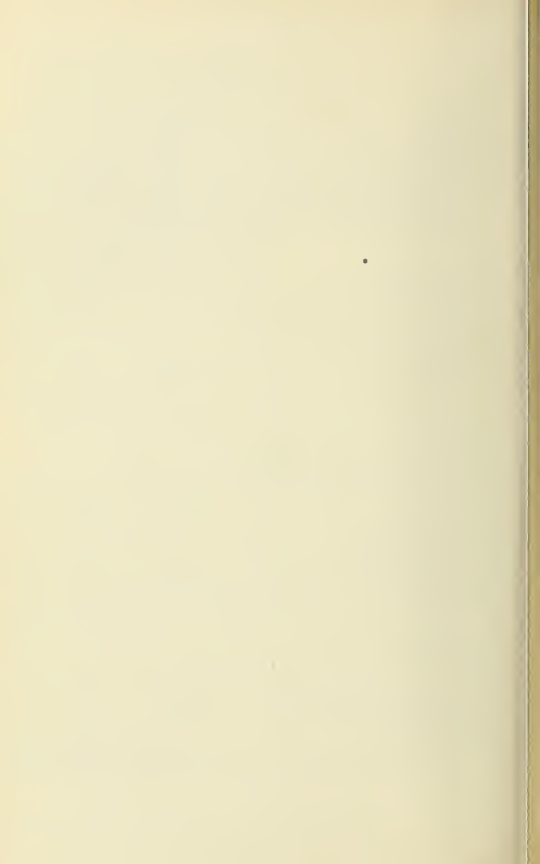
Respectfully submitted,

WILLIS O'BRIEN,  
Supervisor, Utility Audits.

SAN FRANCISCO AIRPORT - MILLS FIELD  
EXHIBIT A  
BALANCE SHEET-JUNE 30, 1941

## ASSETS

Fixed Capital:			
Properties in Service.....	\$2,771,481.06	\$ 210,405.31	\$2,981,886.37
Less: Reserve for Depreciation.....	398,550.02		398,550.02
Construction in Progress.....	\$2,372,931.04	\$ 210,405.31	\$2,583,336.35
	1,978,957.20	\$ 758,811.93	2,737,769.13
			\$5,321,105.48
Cash:			
On Deposit with Treasurer.....	24,470.14	483,217.61	1,345,232.38
Revolving Fund .....	200.00		200.00
Accounts Receivable—Less Reserve for Uncollectible Items.....	8,629.30	2,408.98	11,038.28
Interfund Accounts Receivable:			
Airport Improvement Clearing Fund.....		400,000.00	\$400,000.00
General City and County.....	4,281.06		4,281.06
Deferred Charges .....	3,767.64		3,767.64
Total Assets .....	\$2,414,279.18	\$3,074,989.10	\$6,685,624.84
LIABILITIES AND SURPLUS			
Liabilities:			
Bonded Debt:			
1938 Airport Bonds—Maturing \$285,000 annually to Jan. 1, 1949 .....		\$2,280,000.00	\$2,280,000.00
Bond Interest Accrued (Payable July 1, 1941) .....		20,470.00	20,470.00
Accounts Payable .....			
Interfund Accounts Payable:			
1938 Airport Bond Fund.....		400,000.00	\$400,000.00
Public Service Enterprises.....	1,264.01	7,955.50	9,048.95
General City and County.....	790.15	17.76	807.91
Deferred Credits .....	723.73		450,723.73
Total Liabilities .....	\$ 8,513.50	\$2,423,925.66	\$1,596,356.56
			\$400,000.00
Surplus:			
Balance, June 30, 1940.....	2,464,337.49	331,350.92	2,795,688.41
Transfer .....	3,297.15	3,297.15	
Add: Contributions from Taxes.....	11,044.20	322,546.67	333,590.87
Premium on Bonds Sold—Lot No. 6 .....		463.00	463.00
Deduct: Net Loss.....	72,913.16		72,913.16
Balance, June 30, 1941.....	\$2,405,765.68	\$ 651,063.44	\$3,056,829.12
Total Liabilities and Surplus.....	\$2,414,279.18	\$3,074,989.10	\$6,685,624.84



## SAN FRANCISCO AIRPORT — MILLS FIELD

## EXHIBIT B

## COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

For the Fiscal Years Ended June 30, 1941, and June 30, 1940

	June 30 1941	June 30 1940
<b>OPERATING REVENUES:</b>		
Handling charges .....	\$ 44,122.00	\$ 38,008.75
Rentals:		
Hangar .....	\$ 14,691.97	\$ 14,387.81
Shop .....	2,284.00	4,495.75
Office .....	3,195.05	1,819.75
Restaurant .....	3,299.02	2,962.04
Land .....	2,400.00	1,906.67
Locker .....	109.00	69.00
Total Rentals .....	\$ 25,979.04	\$ 25,641.02
Miscellaneous:		
Gasoline Sales Commissions.....	\$ 1,213.74	\$ 1,125.48
Telephone Income .....	355.53	332.81
Telegraph Agency Commissions .....	695.08	.....
Total Miscellaneous .....	\$ 2,264.35	\$ 1,458.29
Total Operating Revenues.....	\$ 72,365.39	\$ 65,108.06
<b>OPERATING EXPENSES:</b>		
Operation:		
Salaries and Wages.....	\$ 53,263.62	\$ 45,112.27
Gas and Electricity.....	8,302.77	8,582.01
Telephone, Telegraph and Postage.....	3,677.33	2,853.23
Materials and Supplies.....	3,989.60	4,376.03
Provision for Bad Accounts.....	300.00	300.00
Travel .....	5,570.22	4,981.09
Insurance .....	1,479.50	1,901.05
Miscellaneous Contractual Services.....	393.28	761.91
Taxes .....	4,155.40	3,221.47
Services of Bureau of Engineering.....	851.16	877.77
Contributions to Retirement System.....	1,982.15	1,675.13
Miscellaneous .....	3.64	.....
Total Operation .....	\$ 83,968.67	\$ 74,641.96
Maintenance and Repairs:		
Buildings and Structures.....	\$ 967.89	\$ 725.93
Automobiles and Motorcycles.....	1,380.17	1,303.09
Miscellaneous Equipment .....	995.79	1,536.17
Total Maintenance and Repairs.....	\$ 3,343.85	\$ 3,565.19
Provision for Depreciation.....	\$ 59,970.37	\$ 60,350.68
Loss on Retirements (net).....	.....	\$ 378.39
Total Operating Expenses.....	\$147,282.89	\$138,936.22
OPERATING LOSS .....	\$ 74,917.50	\$ 73,828.16
OTHER INCOME .....	2,004.34	1,972.62
NET LOSS .....	\$ 72,913.16	\$ 71,855.54



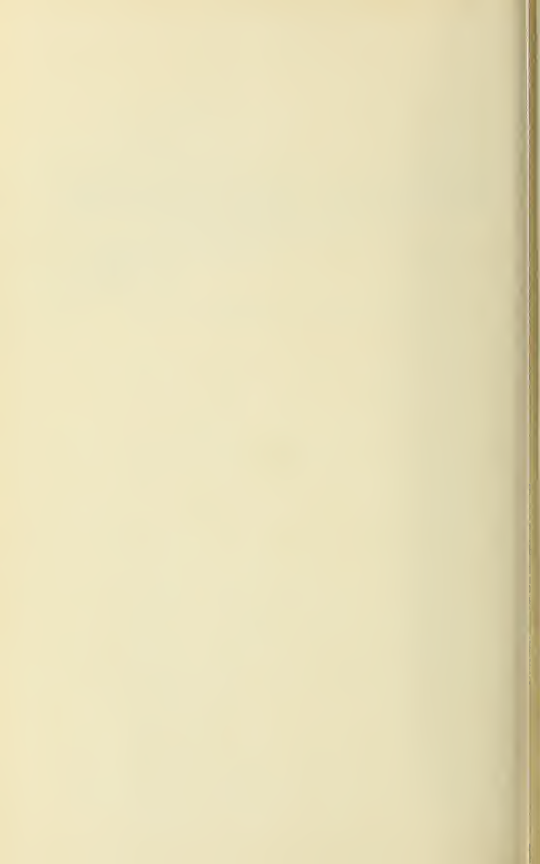


**San Francisco School Department**  
(A Unified School District)

**Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1941**

(Wherever italic figures appear in this Report, they indicate red figures)



**LESTER HERRICK AND HERRICK**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 MERCHANTS EXCHANGE BUILDING  
 SAN FRANCISCO, CALIFORNIA

October 20, 1941.

Honorable Harold J. Boyd, Controller, City and County of San Francisco, San Francisco, California.

Sir:

In accord with the terms of our engagement, we have examined the accounts of the School Department of the City and County of San Francisco (such department constituting the San Francisco Unified School District) for the fiscal year ended June 30, 1941.

Our examination has embraced a general verification of the accounts of the School Department relating to assets and liabilities as at June 30, 1941, and included a review of the accounting procedures and methods of internal control, and review, analysis and tests of the accounted transactions during the year, by methods and to the extent we deemed appropriate in view of the comprehensive continuous audit of expenditures maintained by your office.

The items relating to Fixed Capital Properties, Bonded Debt and Bond Interest, appearing in the accompanying statements, are not reflected by the accounts of the School Department but are based upon the accounts of your office which have been made the subject of a separate independent examination.

The Consultant and Statistician for the Grand Jury has participated in our examination.

There are presented hereinafter, as a part of our report, the following statements:

PROPRIETARY BALANCE SHEET, June 30, 1941;  
 STATEMENT OF SURPLUS ACCOUNTS, for the fiscal year ended June 30, 1941;  
 STATEMENT OF REVENUES AND EXPENDITURES, for the fiscal years ended June 30, 1941 and 1940;  
 ANALYSIS OF EXPENDITURES, for the fiscal years ended June 30, 1941 and 1940;  
 FUNDS BALANCE SHEET, June 30, 1941;  
 RECONCILEMENT OF PROPRIETARY BALANCE SHEET WITH FUNDS BALANCE SHEET.

With reference to the statements presented and in further explanation of the character and extent of our examination, we observe as follows:

### PROPRIETARY BALANCE SHEET

#### FIXED CAPITAL PROPERTIES—\$51,198,000.51:

The general accounts of the School Department do not reflect the accumulated cost or other values of fixed properties, but independent subsidiary records are maintained in which are recorded details of cost of existing properties under the general headings of Land, Buildings, and Equipment. We reviewed these records sufficiently to satisfy us reasonably that the recorded charges for additions and betterments, aggregating \$1,679,730.65, represent expenditures appropriate of capitalization and that reported retirements have been accounted.

We believe these subsidiary records embrace reasonably adequate data of im-

portant appliances and movable equipment and find that it is the practice to identify items as they are replaced or reported to be missing. During the past two years, it has been the practice of the School Department to make physical test-checks at schools of typewriters, calculating and duplicating machines, sewing machines, pianos and other musical instruments. These have resulted in recovery of some units which had been misplaced, and those which cannot be located are to be written off as missing.

The item of Fixed Capital Properties is stated in the accompanying Balance Sheet upon the basis of the accounts maintained by the Controller which, we are informed, reflect original cost (or appraised values in instances) without consideration of accrued depreciation, in accord with the established accounting policy of the City and County in the statement of service assets. The net increase in this account during the fiscal year under review amounts to \$1,502,236.40 which is reconciled with the amount of \$1,643,067.72 stated as net capital outlays by the accounts of the School Department as follows:

Net Capital Outlays per School Department.....		\$1,643,067.72
Total per Statement of Revenues and Expenditures .....	\$1,679,780.65	
Less .....	36,712.93	.....
Proceeds of sales of land and Building .....	\$31,390.00	
Equipment sold or destroyed.....	5,322.93	
Add .....		28,265.70
Charges by Controller not entered by School Department:		
Pro rata ( $\frac{1}{8}$ ) of total cost of 9/27/38 bond election .....	\$ 6,999.90	.....
Adjustment of general ledger accounts to detail .....	1,244.65	.....
Expenditures from General Fund.....	3,493.33	.....
Other items .....	2,124.78	.....
	\$ 13,862.66	
Sundry items treated by Controller as capital outlay but by School Department as expenses (net) .....	14,403.04	.....
		\$1,671,333.42
Less items entered in prior year by School Department but in current year by Controller.....		169,097.02
Excess of Controller's book value over proceeds from sale of Lands.....	\$ 174,547.53	.....
Other items .....	5,450.51	.....
Net Increase in Fixed Capital Properties, Per Controller .....		<u>\$1,502,236.40</u>

We suggest that similar reconcilements be made monthly in order that differences in accounting by the School Department and by the Controller may be obviated.

We examined insurance policies representing an aggregate coverage of \$24,900,000.00 against loss by fire of property of the School Department.

#### CASH—\$2,043,426.38:

Cash on deposit with the Treasurer in the amount of \$2,043,026.38 was verified by reference to a report of an audit of his records and is reconciled

with the Treasurer's account as shown by the books of the School Department as follows:

	School Department Balances	Warrants Outstanding and Other Reconciling Items	Treasurer's Balances
<i>Current Funds:</i>			
San Francisco Unified School District .....	\$ 743,950.31	\$180,675.67	\$ 924,625.98
Bond interest:			
5%—1908 .....		100.00	100.00
4½%—1918 .....		6,502.50	6,502.50
5%—1923 .....		81,550.00	81,550.00
1¼%—1938 .....		31.25	31.25
1½%—1938 .....			
1¾%—1938 .....		1,006.25	1,006.25
2%—1938 .....		4,420.00	4,420.00
Bond redemption:			
4½%—1918 .....		84,000.00	84,000.00
5%—1923 .....		165,000.00	165,000.00
Total current funds .....	\$ 743,950.31	\$523,285.67	\$1,267,235.98
<i>Capital Funds:</i>			
School Bond 1938 .....	\$ 700,154.05		\$ 700,154.05
P. W. A. Docket 1578.....	51,767.59		51,767.59
Total capital funds .....	\$ 751,921.64		\$ 751,921.64
<i>Special and Trust Funds:</i>			
School Teachers' Sabbatical Leave..	\$ 6,459.93	\$ 2,964.22	\$ 9,424.15
School Teachers' Permanent (Retirement) .....	6,834.00	7,374.00	14,208.00
School Teachers' Annuity .....	107.61	129.00	236.61
Total Special and Trust Funds....	\$ 13,401.54	\$ 10,467.22	\$ 23,868.76
Total .....	\$1,509,273.49	\$533,752.89	\$2,043,026.38

The warrants outstanding and other reconciling items as shown above are summarized as follows:

Warrants outstanding .....	\$191,314.22
Current .....	\$180,698.30
Special and trust .....	10,615.92
Matured bonds not paid .....	249,000.00
Matured coupons not paid.....	93,610.00
Total .....	\$533,924.22
Less items recorded by School Dept. prior to June 30, 1941, but not entered by Controller until after that date .....	171.33
	\$533,752.89

Revolving funds of \$400.00 were verified by count of cash on hand and confirmation of balance on deposit in banks.

**ACCOUNTS RECEIVABLE (NET OF RESERVES)—\$134,986.13:**

This amount represents only uncollected taxes, penalties, and costs secured by real estate, other receivables being offset by reserves of equal amount. Accounts receivable are summarized as follows:

Uncollected Taxes, Penalties, and Costs (secured) . . . . .	\$134,986.13
Taxes—year ended June 30, 1941 . . . . .	\$50,526.32
Taxes—prior years . . . . .	82,409.91
Penalties and costs . . . . .	2,049.90
Other Accounts Receivable . . . . .	—
Subventions for National Defense instruction, representing reimbursement due for expenditures therefor . . . . .	\$20,686.30
Salary Repayments billed teachers . . . . .	1,157.31
Rentals . . . . .	20.00
Total Other Accounts Receivable . . . . .	\$21,863.61
Less Collection Reserves . . . . .	21,863.61
Total . . . . .	<u>\$134,986.13</u>

Taxes receivable were confirmed by reference to the accounts of the Controller. Penalties receivable on tax redemptions have not been set up as in prior years, the Controller having initiated as of June 30, 1941, a policy of deferring until collection the accounting as income of these penalties. Penalties receivable on tax redemptions as of the close of the prior year were stated in the amount of \$26,124.12, of which \$7,947.76 was collected in 1940-1941 and the balance was written off at June 30, 1941.

Subventions for National Defense instruction, \$20,686.30, were collected after June 30, 1941, with the exception of \$80.13, representing items disallowed.

The School Department has adopted the policy of billing teachers for salary overpayments, as determined by litigation, only in the case of teachers leaving the service of the District. Accordingly, the amount of \$1,157.31 represents only overpayments, prior to July, 1932, to teachers who have left the service, in addition to which there are overpayments aggregating \$17,119.22 which have not been billed or accounted. As of date August 31, 1941, teachers who had not been billed were notified, as a matter of information, of the amounts which would be payable upon their securing leave of absence or retiring from the service of the District.

Also it is not the practice to account amounts due from other Counties for tuition until collected. Such accounts receivable at June 30, 1941, aggregated \$166,274.67.

**INTERFUND ACCOUNTS—\$52,708.89:**

The amount of \$5,000.00 receivable from the Department of Public Works represents an advance made in 1934 for the purpose of providing that department with a working balance for carrying supplies to be used in maintenance work for the School Department.

The amount of \$47,708.89 receivable from P. W. A. Docket 1578 Fund (offset by contra liability due to Current Fund in the accompanying Balance Sheet) represents the excess of sponsor's contribution remaining unused in such fund at the conclusion of the project. This amount was transferred to the Current Fund on August 13, 1941.

**DEFERRED CHARGES—\$298,966.66:**

The item of Stores amounting to \$124,987.11 (compared with \$158,084.26 at June 30, 1940) represents the cost of supplies on hand in general stock, as called for by the accounts, but excludes supplies distributed to schools for use prior to June 30, 1941, which remained on hand at schools at that date.

A physical inventory of stores was taken by employees of the School Depart-

ment as of March 24, 1941. Such inventory developed various overages and shortages, of a character appearing normally to be expected, and a net shortage of the relatively unimportant amount of \$688.73, for which appropriate account adjustment was made.

We reviewed the physical inventory records and procedures, investigated pricing, and tested computations and footings of such inventory, to the extent necessary to satisfy us of its substantial accuracy, and reviewed the accounting for transactions between the date of the inventory and June 30, 1941. On September 30, 1941, we made a physical count of 52 inventory items, the aggregate book value of which was \$38,841.46. This test developed various overages and shortages, but only an unimportant variation of net value, and constituted a satisfactory test verification of the integrity of the account. The inventory includes slow moving items, of an approximate cost of \$3,800.00, some of which may be obsolete.

We have reviewed the methods and procedures employed in the purchase of supplies and their distribution to schools and believe them to be adequate in all practical essentials.

We again recommend, as in our prior reports, the establishment of a supply stock revolving fund. We are informed that such a procedure is in use by other departments and believe it to be desirable wherever budgetary control is involved.

Shop inventory of \$11,061.10 is stated on the basis of the accounts which we reviewed. An analysis of the balance at June 30, 1941, which we found supported by appropriate detail, is as follows:

Reconditioned furniture at cost of reconditioning same (no value placed on furniture before repair) .....	\$ 5,853.75
Accumulated costs on uncompleted reconditioning jobs .....	1,643.43
Supplies and materials at shop .....	3,563.92
<b>Total .....</b>	<b>\$11,061.10</b>

Unexpired insurance in the amount of \$13,264.21 represents that portion of payments made, on account of premiums for a five-year term, which is applicable to coverage after June 30, 1941.

The item of Bond Interest Accrued of \$149,482.91 is stated as an unadjusted debit in order to offset the liability of the same amount, as neither the liability nor the interest cost is reflected by the books of the School Department.

Other Deferred Charges of \$171.33 represent entries made in the books of the School Department prior to June 30, 1941, but not entered by the Controller until after that date. (See reconciliation of balances of cash accounts.)

## BONDED DEBT—\$11,364,000.00:

School bonds outstanding June 30, 1941, as shown by the records of the Controller, were as follows:

Year of Issue	Interest Rate	Principal Outstanding			
		Total	Matured	Due Within One Year	Due After One Year
1918	4½% .....	\$ 259,000.00	\$ 84,000.00	\$ 175,000.00	
1923	5% .....	7,965,000.00	165,000.00	300,000.00	\$ 7,500,000.00
1934	3% .....	900,000.00		300,000.00	600,000.00
1938	1¼% .....	129,000.00			129,000.00
1938	1½% .....	384,000.00		64,000.00	320,000.00
1938	1¾% .....	647,000.00			647,000.00
1938	2% .....	1,080,000.00		216,000.00	864,000.00
<b>Total .....</b>		<b>\$11,364,000.00</b>	<b>\$249,000.00</b>	<b>\$1,055,000.00</b>	<b>\$10,060,000.00</b>

On December 1, 1946, \$216,000.00 of the 1938-1¾% bonds mature, and on December 1, 1947, \$64,000.00 of the 1938-1¼% bonds. Bonded debt was reduced \$843,000.00 by redemptions during the year.



**ACCOUNTS PAYABLE—\$226,353.10:****INTERFUND ACCOUNTS—\$152,785.12:**

It is not the practice of the Department to account unpaid expenditures for capital outlays, for supplies delivered directly to schools for use in the following year, or for National Defense instruction for which reimbursement is received. Accordingly, the item of Accounts Payable excludes these accounts incident to such unpaid expenditures. Our examination has satisfied us that, except for such amounts (which do not affect current expenses), the liabilities incurred to June 30, 1941, and then unpaid, are stated with essential completeness.

The liability of \$47,708.89 represents cash to be transferred from capital to current account and is offset by the equivalent asset.

The stated liabilities do not embrace provision for contingent liabilities and no reserves therefor have been established in the general accounts. We are informed by the Legal Department of the District that the following contingent liabilities exist:

- (1) Personal injury and property damage actions, which indicate a probable liability of \$20,000.00;
- (2) Judgment for approximately \$41,000.00 arising out of suits by 189 teachers for reratings. Appeal from this judgment will be taken to the Supreme Court.
- (3) A Superior Court order for an accounting involving approximately 3,000 teachers claiming alleged sums aggregating approximately \$500,000.00 with interest since 1930.

**SPECIAL AND TRUST FUNDS—\$13,401.54:**

The amounts stated for these funds were reconciled with and confirmed by reference to the accounts of the Controller.

**SURPLUS—\$41,728,455.90:**

The composition of the increases during the year in the balances of current and capital surplus, and the reconciliation of the June 30, 1941, balances with the Department's fund accounts, are shown by the accompanying Statement of Surplus Accounts. The balances are representative of the following:

	Current Accounts	Capital Accounts
Cash .....	\$1,267,635.98	\$ 751,921.64
Less—matured bonds, interest currently due, and accounts payable .....	663,423.41	
Balance .....	\$ 604,212.57	\$ 751,921.64
Interfund cash accounts—net .....	47,708.89	47,708.89
Balance—available cash .....	\$ 651,921.46	\$ 704,212.75
Fixed capital properties, less bonded debt not due		40,083,000.51
Other assets:		
Taxes receivable .....	134,986.13	
Stores and shop work .....	136,048.21	
Insurance—unexpired and misc. ....	13,286.84	
Interfund account .....	5,000.00	
Totals .....	<u>\$ 941,242.64</u>	<u>\$40,787,213.26</u>

## STATEMENT OF REVENUES AND EXPENDITURES

Revenues and expenditures for the year ended June 30, 1941, as set forth in the above statement are briefly summarized as follows:

Revenues (property taxes, State school funds, and miscellaneous income) .....	\$10,909,929.99
Operating Expenditures .....	10,471,761.48
Balance—Revenues net of Operating Expenditures.....	\$ 438,168.51
Capital Outlays from Revenues .....	258,064.04
Revenue Surplus for year .....	<u>\$ 180,104.47</u>

Revenues from taxes of the City and County, in amount \$6,047,589.87, were verified by reference to the accounts and records of the Controller and, further, were confirmed by application of the tax rates to assessed property valuations.

Revenues received through the State of California, amounting to \$4,574,593.12, were confirmed by reference to the published report of State Superintendent of Public Instruction on the apportionment of State school funds for the year under review. Federal and State vocational education funds received of \$32,664.35 were confirmed by reference to the published report of the State Commission for Vocational Education. The reimbursement of \$7,645.22 received for civil aeronautics ground school and National Defense vocational education classes was generally tested by scrutiny of documents and correspondence.

Tuition received from other Counties, amounting to \$141,709.06 was supported by appropriate data which we reviewed. This amount represents collections of \$141,680.38 for tuition fees during the previous year and \$28.68 for the current year, as it is the policy to account such fees only as received. Tuition fees for the current year appear as \$166,303.35. Such policy has resulted in understating the tuition fees applicable to the year by \$24,594.29, and the relatively similar practice in the matter of subventions for National Defense instruction has resulted in omitting \$20,606.17 (later accounted when received) from the year's income. Consideration of these items would increase the Revenue Surplus for the year by \$45,200.46 from \$180,104.47 to \$225,304.93.

Rentals received in amount of \$103,746.92 were verified by reference to signed reports of the Real Estate Department.

Other Receipts totaling \$1,981.45 comprise the following:

Library fines .....	\$1,366.47
Certificate fees .....	532.00
Fire insurance .....	82.98
Total .....	<u>\$1,981.45</u>

We reconciled the monthly totals of all cash recorded as received with the deposits with the Treasurer as reflected by the Controller's accounts.

All expenditures of the School Department have been subjected to comprehensive audit by the Controller with respect to legality, authorization, and existence of liability and, in our opinion, such continuous attention made unnecessary our independent reference to the expenditure documents. We have, however, reviewed the methods and procedures employed by the School Department in authorizing and accounting expenditures. Tests of salaries from the basis of supporting records developed no indication of error. Our consideration of the distribution of expenditures with respect to functional analysis has been limited to that necessary to the preparation of the accompanying statements but the methods employed are such as to warrant reliance on the essential accuracy of the related records.

We reconciled monthly totals of disbursements as recorded by the School

Department with corresponding totals of the Controller's accounts. The reconciliation of operating expenditures is as follows:

Operating Expenditures per Controller .....	\$ 9,894,956.87
Add—Items not charged to Department operating accounts by Controller .....	587,006.24
Contributions to Retirement Systems .....	\$582,017.75
Inventory—decrease .....	34,052.14
Charged to Capital Outlay .....	14,250.20
Not charged until July, 1941 .....	171.33
	<hr/>
	\$630,491.42
Less .....	43,485.18
	<hr/>
Accounts Payable—decrease .....	\$42,374.19
Prepaid Expenses—increase .....	1,110.99
	<hr/>
	\$10,481,963.11
Less—Refunds credited to expenditure accounts by School De- partment but to miscellaneous income by Controller.....	10,201.63
	<hr/>
Operating Expenditures per School Department .....	<u>\$10,471,761.48</u>

### FUNDS BALANCE SHEET

The items shown by this statement are in agreement with the records of the Controller and are in agreement with his annual report. It is followed by a reconciliation of the Funds Balance Sheet with the corresponding totals of the Proprietary Balance Sheet.

### GENERAL

The receipts and disbursements of school cafeterias and student body organizations are not embraced by the general accounts of the School Department. Accordingly, the records of such transactions were not examined by us, but we are informed that they are periodically audited by the accounting staff of the School Department. Such examinations for the fiscal year 1939-1940 are stated to have been completed and twenty-five out of thirty-eight sets of accounts examined for the Fall of 1940 with three completed for the fiscal year 1940-1941.

We express our appreciation of the cooperation extended to us by the accounting staff of the School Department and by your office during the course of our examination.

Faithfully yours,

LESTER HERRICK AND HERRICK.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)  
PROPRIETARY BALANCE SHEET—JUNE 30, 1941

LIABILITIES

<i>Bonded Debt:</i>	
Due after June 30, 1941.....	\$11,115,000.00
Bonds matured, not paid.....	249,000.00
Total Bonded Debt.....	\$11,364,000.00
<i>Bond Interest:</i>	
Due July 1, 1941.....	\$ 13,500.00
Accrued, not due.....	135,982.91
Matured Coupons, not paid.....	93,610.00
Total Bond Interest.....	243,092.91
<i>Accounts Payable:</i>	
Trade Creditors.....	\$ 35,038.88
Warrants Outstanding.....	191,314.22
Total Accounts Payable.....	226,353.10
<i>Interfund Accounts:</i>	
Department of Public Works.....	\$ 45,179.52
Retirement Board.....	48,031.19
Other City Departments.....	11,865.52
Due to Current Fund (see contra).....	47,708.89
Total Interfund Accounts.....	152,785.12
<i>Special and Trust Funds:</i>	
School Teachers' Sabbatical Leave.....	\$ 6,459.93
School Teachers' Permanent (Retirement).....	6,834.00
School Teachers' Annuity.....	107.61
Total Special and Trust Funds.....	13,401.54
<i>Surplus (per statement herewith):</i>	
Current Surplus.....	\$ 941,242.64
Capital Surplus.....	40,787,213.26
Total Surplus.....	41,728,455.90
	<u>\$53,728,088.57</u>

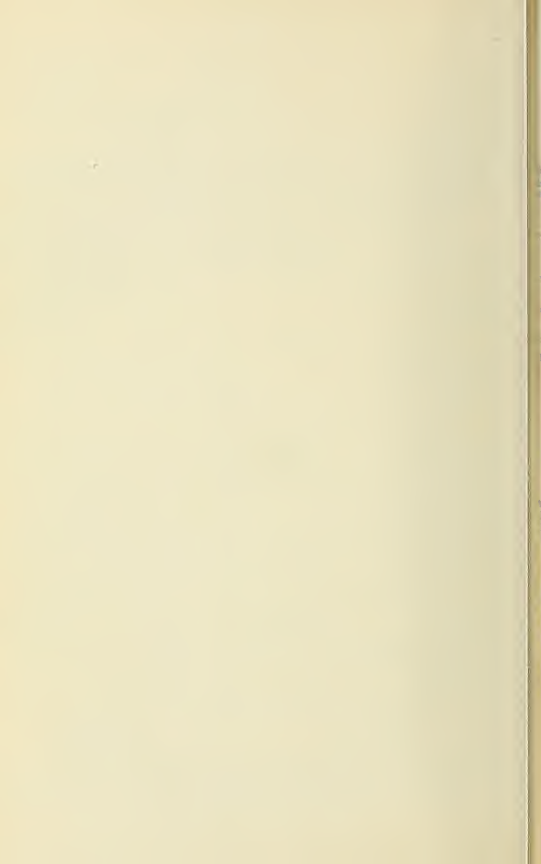
See text of report concerning unstated amounts for tuition costs due from other Counties, unpaid liabilities for capital outlays and purchases of stores, and contingent liabilities for pending legal actions.

ASSETS

<i>Fixed Capital Properties:</i>	
Land.....	\$ 9,745,923.33
Buildings and Improvements.....	37,592,899.72
Equipment.....	3,809,900.84
Construction in Progress.....	49,276.62
Total Fixed Capital Properties.....	\$51,198,000.51
<i>Cash:</i>	
On deposit with Treasurer.....	\$ 2,043,026.38
Revolving Funds.....	400.00
Total Cash.....	2,043,426.38
<i>Accounts Receivable:</i>	
Taxes Receivable.....	\$ 134,986.13
Total.....	\$274,840.87
Less—Reserve for Delinquent Taxes.....	139,854.74
Other Accounts.....	—
Amounts Due.....	\$ 21,863.61
Less—Collection Reserve.....	21,863.61
Total Accounts Receivable.....	134,986.13
<i>Interfund Accounts:</i>	
Department of Public Works.....	\$ 5,000.00
P.W.A. Docket No. 1578 due to Current Fund (see contra).....	47,708.89
Total Interfund Accounts.....	52,708.89
<i>Deferred Charges and Unadjusted Debits:</i>	
Stores.....	\$ 124,987.11
Shop Inventory.....	11,061.10
Unexpired Insurance.....	13,264.21
Bond Interest Accrued, not due.....	149,482.91
Other Charges.....	171.33
Total Deferred Charges and Unadjusted Debits.....	298,966.66
	<u>\$53,728,088.57</u>

NOTES: Above accounts measure the capital invested in existing school service property, without consideration of depreciation. Equipment replacements are accounted as current expenses.

NOTE: Items of Fixed Capital Properties, Bonded Debt, Bond Interest and the related deposits with the Treasurer are not reflected by the accounts of the School Department, but are stated from the records of the Controller.



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

STATEMENT OF SURPLUS ACCOUNTS  
For the Fiscal Year Ended June 30, 1941

CURRENT SURPLUS

Balance, July 1, 1940.....		\$ 748,257.25
Add .....		222,910.41
Excess of Revenues, 1940-41.....	\$ 180,104.47	
Operating Net Revenue.....	\$ 438,168.51	
Less—Capital Outlays from Revenues (net) .....	258,064.04	
Transfers from Capital Surplus.....	42,790.71	
P.W.A. Docket No. 1578.....	\$ 47,708.89	
Less—Prior year's expenditures.....	4,918.18	
Penalties collected from contractors.....	15.23	
		\$ 971,167.66
Deduct—Adjustment of stated value of Delin- quent Taxes and Penalties.....		29,925.02
Balance, June 30, 1941.....		\$ 941,242.64
Made up of balances in the following accounts of the School Department:		
Unappropriated Balances .....	\$ 472,700.10	
Reserves for:		
Purchase Orders and Other Encumbrances .....	298,159.06	
Total .....	\$ 438,274.17	
Less—Completed .....	140,115.11	
Adjustments .....	20,671.06	
Stores and Other Working Assets.....	149,712.42	

CAPITAL SURPLUS

Balance, July 1, 1940.....		\$39,384,255.58
Add .....		1,445,748.39
Federal W.P.A. Grants.....	\$ 544,565.20	
City Taxes—transferred from other depart- ments .....	14,273.40	
Capital Outlays .....	111,909.79	
From Current Revenues.....	\$ 258,064.04	
Less—Controller's adjustments and equip- ment destroyed .....	146,154.25	
Bond Debt retired.....	775,000.00	
Total Debt Retirement .....	\$1,055,000.00	
Less—Federal Grant .....	280,000.00	
		\$40,830,003.97
Deduct—Transfers to Current Surplus.....		42,790.71
Balance, June 30, 1941.....		\$40,787,213.26
Made up of the following:		
Available Fund Balances:		
School Bonds of 1938.....	\$ 700,154.05	
P.W.A. Docket No. 1578:		
Purchase Orders .....	596.24	
Other Encumbrances .....	3,462.46	
Total .....	\$ 704,212.75	
Fixed Capital Properties Valuation in excess of Bonded Debt not due of \$11,115,000.00..		\$40,083,000.51

**CITY AND COUNTY OF SAN FRANCISCO**  
**SCHOOL DEPARTMENT**  
**(A Unified School District)**

**STATEMENT OF REVENUES AND EXPENDITURES**  
**For the Fiscal Years Ended June 30, 1941 and 1940**

**REVENUES**

	Fiscal Years ended June 30,	
	1941	1940
PROPERTY TAXES AND PENALTIES.....	\$ 6,047,589.87	\$ 5,637,149.80
REVENUES RECEIVED THROUGH STATE OF CALIFORNIA:		
Elementary Schools .....	\$ 2,249,535.25	\$ 2,431,922.01
High Schools .....	2,325,057.87	2,312,591.57
	<u>\$ 4,574,593.12</u>	<u>\$ 4,744,513.58</u>
OTHER REVENUES:		
Apportionment of Federal and State Vocational Education Funds.....	\$ 32,664.35	\$ 35,977.19
Reimbursement for Civil Aeronautics and National Defense Vocational Instruction...	7,645.22	.....
Tuition from Other Counties.....	141,709.06	110,510.95
Rentals .....	103,746.92	103,748.32
Other Receipts .....	1,981.45	1,766.77
Total Other Revenues.....	<u>\$ 287,747.00</u>	<u>\$ 252,003.23</u>
TOTAL REVENUES .....	<u>\$10,909,929.99</u>	<u>\$10,633,666.61</u>

**EXPENDITURES**

**OPERATING EXPENDITURES:**

Administration .....	\$ 272,234.06	\$ 285,465.26
Instruction—Salaries .....	7,822,612.81	7,618,488.91
Instruction—Supplies, etc. ....	318,763.37	281,265.67
Auxiliary Agencies .....	43,573.68	40,437.75
Coordinate Activities .....	34,827.07	33,569.72
Operation .....	917,382.92	802,016.52
Maintenance .....	432,659.79	429,770.80
Fixed Charges .....	629,707.78	594,350.22
Total Operating Expenditures.....	<u>\$10,471,761.48</u>	<u>\$10,085,364.85</u>
NET REVENUE .....	<u>\$ 438,168.51</u>	<u>\$ 548,301.76</u>

**CAPITAL OUTLAY:**

Total Capital Expenditures .....	\$ 1,679,780.65	\$ 3,740,537.51
Less:		
Sales of Lands and Buildings.....	\$ 31,390.00	\$ 20,475.00
Expenditures from Other Funds:		
P.W.A.Docket No. 1578.....	1,390,326.61	3,677,779.06
Sunshine School Equipment Trust....	.....	35.46
Total Deductions .....	<u>\$ 1,421,716.61</u>	<u>\$ 3,698,289.52</u>
Balance, Capital Outlay from Revenues.....	<u>\$ 258,064.04</u>	<u>\$ 42,247.99</u>

**BALANCE:**

Revenue Surplus for year.....	<u>\$ 180,104.47</u>	<u>\$ 506,053.77</u>
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NOTES: The above statement does not include tax revenues applicable to bond interest and redemption or the expenditures therefor.  
Reimbursement for National Defense vocational instruction and tuition from other Counties are accounted as income only as collected. The income accrued from such sources for the year exceeded the collection by \$45,200.46

**CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)**

**ANALYSIS OF EXPENDITURES**

For the Fiscal Years Ended June 30, 1941 and 1940

ADMINISTRATION:	Fiscal Years ended June 30,	
	1941	1940
Salaries .....	\$ 235,100.91	\$ 235,626.65
Supplies .....	16,936.18	16,069.42
Traveling .....	3,387.63	4,429.66
Other Expenses .....	16,809.34	9,172.95
	<hr/>	<hr/>
	\$ 272,234.06	\$ 265,298.68
 INSTRUCTION SALARIES:		
Supervision .....	\$ 96,599.32	\$ 93,164.28
Kindergarten .....	203,938.97	201,995.54
Elementary Day .....	2,936,793.94	3,061,085.48
Special Schools .....	137,756.48	127,289.53
Junior High .....	1,302,107.74	1,179,671.31
High Day .....	2,500,198.87	2,375,590.33
High Evening .....	256,709.44	243,732.12
Junior College .....	388,508.05	335,960.32
	<hr/>	<hr/>
	\$ 7,822,612.81	\$ 7,618,488.91
 INSTRUCTION—SUPPLIES, ETC.:		
Kindergarten Supplies .....	\$ 3,080.62	\$ 2,945.53
Educational Supplies .....	203,610.48	159,530.32
Books .....	80,524.27	85,771.55
Traveling .....	2,252.08	2,593.65
Other Expenses .....	29,295.92	30,424.62
	<hr/>	<hr/>
	\$ 318,763.37	\$ 281,265.67
 AUXILIARY AGENCIES:		
Transportation of Children.....	\$ 30,512.08	\$ 29,086.05
Tuition paid other Counties.....	2,789.84	2,535.00
Community Centers .....	3,461.25	2,407.22
Other Expenses .....	6,810.51	6,409.48
	<hr/>	<hr/>
	\$ 43,573.68	\$ 40,437.75
 COORDINATE ACTIVITIES (Compulsory Education):		
Salaries .....	\$ 30,592.78	\$ 29,644.02
Automobile Allowances .....	4,234.29	3,925.70
	<hr/>	<hr/>
	\$ 34,827.07	\$ 33,569.72
 Forward .....		
	<hr/>	<hr/>
	\$ 8,492,010.99	\$ 8,239,060.73



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

ANALYSIS OF EXPENDITURES (Continued)  
For the Fiscal Years Ended June 30, 1941 and 1940 (Continued)

	Fiscal Years ended June 30, 1941	1940
Brought Forward .....	\$ 8,492,010.99	\$ 8,239,060.73
OPERATION:		
Janitors' and Engineers' Salaries.....	\$ 594,120.33	\$ 558,936.27
Janitors' and Engineers' Supplies.....	40,996.22	37,159.57
Gas and Electricity .....	80,684.18	64,874.21
Fuel .....	48,301.31	43,781.98
Water .....	46,588.57	40,803.04
Other Expenses .....	106,692.31(a)	73,588.53
	<u>\$ 917,382.92</u>	<u>\$ 819,143.60</u>
MAINTENANCE:		
Repairs to Buildings and Grounds.....	\$ 292,764.66(a)	\$ 292,081.65
Repairs to Janitors' Equipment.....	52,068.63	45,314.87
Repairs to Educational Equipment.....	87,723.03	92,885.78
Other Expenses .....	103.47	2,528.00
	<u>\$ 432,659.79</u>	<u>\$ 432,810.30</u>
FIXED CHARGES:		
Contributions to Retirement System—		
City .....	\$ 546,311.75	\$ 523,085.52
Contributions to Retirement System—		
State .....	35,706.00	35,556.00
Insurance .....	21,253.00	18,326.80
Rent .....	4,860.74	10,162.32
Workmen's Compensation and		
Accident Claims .....	11,092.13	8,158.31
Other Expenses (net).....	10,484.16(b)	938.73
	<u>\$ 629,707.78</u>	<u>\$ 594,350.22</u>
TOTAL OPERATING EXPENDITURES....	<u>\$10,471,761.48</u>	<u>\$10,085,364.85</u>
CAPITAL OUTLAY:		
Purchase of Land.....	\$ 4,222.50	\$ 1,246.30
Construction of New Buildings, etc.....	1,205,743.65	3,640,370.82
Equipment for New Buildings.....	410,051.45	36,642.85
Additions and Betterments to Old Buildings	11,020.51	16,803.87
Equipment for Old Buildings.....	48,742.54	45,473.67
	<u>\$ 1,679,780.65</u>	<u>\$ 3,740,537.51</u>
GRAND TOTAL EXPENDITURES.....	<u>\$12,151,542.13</u>	<u>\$13,825,902.36</u>

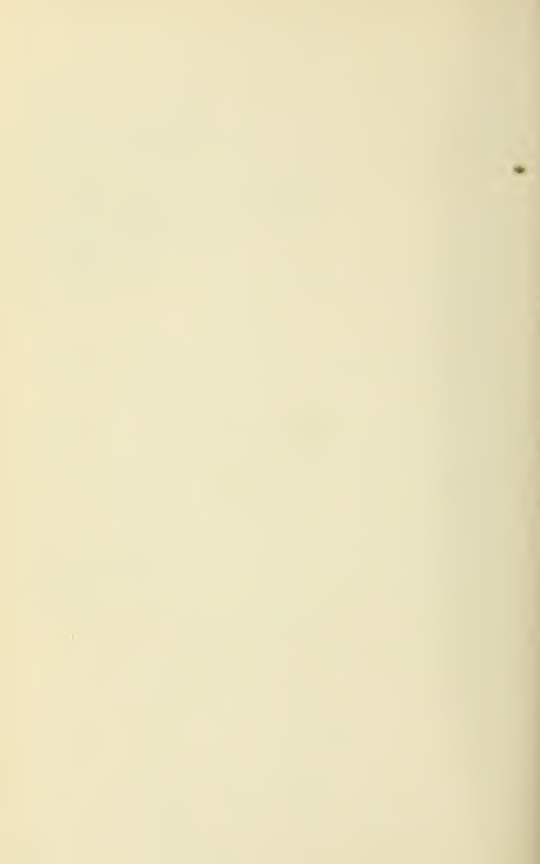
NOTES: (a) For the year ended June 30, 1941, the amount stated includes \$27,246.28 for salaries of janitors, whereas for the prior year such salaries were stated as part of Repairs to Buildings and Grounds.

(b) This item embraces adjustments of teachers' salaries for prior years. For the year ended June 30, 1941, the amount stated includes a payment of \$8,899.11 in settlement of a suit for re-rating of a teacher's salary. For the prior year, there was a net recovery of overpayments.





CITY AND COUNTY OF SAN FRANCISCO															
SCHOOL DEPARTMENT															
(A Unified School District)															
RECONCILEMENT OF															
PROPRIETARY BALANCE SHEET WITH FUNDS BALANCE															
SHEET—JUNE 30, 1941															
ASSETS								LIABILITIES							
								Fixed Capital							
								Capital Properties							
\$51,198,000.51								\$51,198,000.51							
								Cash							
\$2,043,426.38								\$2,043,426.38							
								Accounts Receivable							
\$134,986.13								\$134,986.13							
								Interfund Accounts							
\$52,708.89								\$52,708.89							
								Deferred Charges							
\$298,966.66								\$298,966.66							
								Bonded Debt							
\$11,364,000.00								\$11,364,000.00							
								Bond Interest and Accounts Payable							
\$469,446.01								\$469,446.01							
								Interfund Accounts							
\$152,785.12								\$152,785.12							
								Special Funds and Trust Reserves							
\$41,728,455.90								\$41,728,455.90							
								Due from Federal Government for Vocational Training							
							20,178.97								
								Purchase Orders and Other Encumbrances:							
								Total (per Controller).....\$430,349.02							
								Matured .....							
								Balance—not matured .....							
								\$290,233.91							
								TOTALS BEFORE DEDUCTIONS.....							
								\$51,198,000.51							
								Fixed Capital .....							
								Bonded Debt .....							
								Matured Bonds not paid.....							
								\$ 249,000.00							
								Bond Interest due and unpaid.....							
								93,610.00							
								Bond Interest due July 1, 1941.....							
								Bond Interest accrued, not due.....							
								Warrants Outstanding .....							
								191,314.22							
								Imprest Fund .....							
								400.00							
								Stores and Shop Inventory.....							
								Unexpired Insurance .....							
								Deposits not entered until after June 30, 1941.....							
								Total Deductions .....							
								\$ 534,324.22							
								\$51,198,000.51							
								FUND BALANCES .....							
								\$1,509,102.16							
								\$155,165.10							
								\$52,708.89							
								Unappropriated Balances .....							
								\$1,197,559.17							
								Unencumbered Appropriations .....							
								28,106.23							



San Francisco  
City and County Employees'  
Retirement System

Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1941

(Wherever italic figures appear in this Report, they indicate red figures)



PEAT, MARWICK, MITCHELL & Co.  
ACCOUNTANTS AND AUDITORS  
RUSS BUILDING  
SAN FRANCISCO

October 23, 1941.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by the Municipal Code, Part 1, Article 3, Section 218, we have examined the Balance Sheet of the San Francisco City and County Employees' Retirement System as of June 30, 1941, and the statement of Revenues and Expenditures for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the System, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. The expert to the Grand Jury participated in the examination.

We now submit our report on the examination together with the following statements:

Exhibit "A"—Statement of Revenues and Expenditures for the year ended June 30, 1941

Exhibit "B"—Balance Sheet as of June 30, 1941

Schedule "1"—Investment Bonds as of June 30, 1941

In the following comments various figures relating to the operations for the year ended June 30, 1940, and the Balance Sheet at that date are submitted for purposes of comparison. Such figures have been taken from the report of the auditors for that year.



### Revenues and Expenditures

The following is a condensed summary of the Revenues and Expenditures for the year ended June 30, 1941, as shown in greater detail in Exhibit "A", together with the comparative figures for the previous year.

	Year Ended June 30,	
	1941	1940
<b>Revenues:</b>		
Members' Contributions .....	\$1,075,631.18	\$1,041,765.26
City and County Contributions.....	3,011,522.33	2,986,190.14
Deposits by beneficiaries under death claims...	13,576.37	22,883.09
Interest accrued on City and County balances...	183,887.90	170,936.88
Income on Investments.....	1,180,226.55	1,072,303.46
<b>Total Revenues .....</b>	<b>\$5,464,844.33</b>	<b>\$5,294,078.83</b>
<b>Expenditures:</b>		
Members' accumulated contributions withdrawn.\$	116,340.33	\$ 88,793.55
Service retirement allowances.....	1,289,756.38	1,201,167.39
Disability retirement allowances.....	412,818.57	408,102.31
Death allowances and benefits.....	634,039.99	601,378.24
Compensation costs .....	104,259.32	102,972.51
Administrative expenses .....	47,052.01	52,505.31
Amortization of investment bonds.....	132,595.76	84,662.61
	<b>\$2,736,862.36</b>	<b>\$2,539,581.92</b>
Less Warrants issued in prior years now cancelled .....	2,072.99	.....
<b>Total Expenditures .....</b>	<b>\$2,734,789.37</b>	<b>\$2,539,581.92</b>
<b>Excess of Revenues over Expenditures.....</b>	<b>\$2,730,054.96</b>	<b>\$2,754,496.91</b>

The changes during the year under review in the membership of the System were as follows:

	June 30	
	1941	1940
<b>Active Members:</b>		
Miscellaneous Members .....	11,630	11,216
Firemen .....	880	913
Policemen .....	297	312
	<b>12,807</b>	<b>12,441</b>
<b>Retired Members:</b>		
Miscellaneous Members .....	1,220	1,150
Firemen .....	517	498
Policemen .....	309	292
	<b>2,046</b>	<b>1,940</b>

### FINANCIAL POSITION

A Balance Sheet of the Retirement System as of June 30, 1941, is presented in Exhibit "B" appended hereto. Tabulated below is a synopsis of this Balance Sheet together with figures as of June 30, 1940, for purposes of comparison:

## Condensed Comparative Balance Sheet

## ASSETS

	June 30	
	1941	1940
Cash on deposit with Treasurer.....	\$ 201,782.07	\$ 178,971.59
Accrued interest on investment bonds.....	427,658.71	412,876.30
Investment bonds .....	28,557,631.74	26,268,429.19
Accounts Receivable—City and County of San Francisco .....	5,533,843.99	5,121,456.41
Taxes Receivable, less Reserve.....	41,853.30	50,981.36
Total .....	<u>\$34,762,769.81</u>	<u>\$32,032,714.85</u>

## LIABILITIES

Undistributed portion of amounts previously applied to provide retirement allowances for current service to be disbursed monthly.....	\$ 5,495,842.94	\$ 4,720,140.97
Members' accumulated contributions.....	12,142,274.90	11,378,511.42
City and County accumulated contributions—current service .....	14,945,654.83	13,887,420.50
City and County accumulated contributions—other .....	1,286,352.53	1,273,861.86
Accounts Payable .....	29,253.24	22,268.69
Reserve for interest and investment fluctuations.	863,391.37	750,511.41
Total .....	<u>\$34,762,769.81</u>	<u>\$32,032,714.85</u>

In connection with our examination of the accounts relating to assets and liabilities at June 30, 1941, the following comments are submitted:

## Cash on Deposit With Treasurer

The cash balance on deposit with the Treasurer was confirmed as of June 30, 1941, by the audit staff of the Controller's office. The report on such confirmation was inspected by us and we ascertained that the balance as shown by the records of the Retirement System was in reconciliation with that shown by the Treasurer.

## Accrued Interest on Investment Bonds

Accrued interest on bonds at June 30, 1941, amounted to \$427,658.71 which amount we confirmed by computation.

## Investment Bonds

Details of the investment bonds as at June 30, 1941, are submitted in Schedule "1" appended. We inspected or otherwise accounted for the various securities which are held in the joint custody of the Controller and Treasurer. All interest coupons maturing during the year under review were collected. None of the securities was in default as to principal or interest as of June 30, 1941.

All the investment bonds of the Retirement Fund are of the character legal as investments for insurance companies in California in accordance with the requirements of Section 159 of the Charter.

The bonds are stated on the books at amortized values, as the Retirement System is extinguishing any premium or discount at which the bonds were purchased, so that the book value will equal par at the maturity of the bonds.

Inasmuch as the securities were purchased for investment purposes only, we have not attempted to determine their market value as of June 30, 1941.

We made comprehensive tests of the annual amortization of bond premiums or discounts and of the present values of the bonds.

The changes in the investment bonds during the year may be summarized as follows:

	Total	Government, State, Municipal and Other Political Subdivisions	Railroads	Other Public Utilities
Balance July 1, 1940..	\$26,268,429.19	\$24,868,770.12	\$594,933.19	\$ 804,725.88
Add Purchases .....	3,382,206.23	3,084,436.23	.....	297,770.00
	<u>\$29,650,635.42</u>	<u>\$27,953,206.35</u>	<u>\$594,933.19</u>	<u>\$1,102,495.88</u>
Deduct:				
Bonds Called or				
Matured .....	\$ 960,407.92	\$ 566,047.22	\$ 62,363.78	\$ 331,996.92
Amortization (Net)	132,595.76	111,569.21	549.46	21,576.01
Total Deductions..	<u>\$ 1,093,003.68</u>	<u>\$ 677,616.43</u>	<u>\$ 61,814.32</u>	<u>\$ 353,572.93</u>
Balance June 30, 1941..	<u>\$28,557,631.74</u>	<u>\$27,275,589.92</u>	<u>\$533,118.87</u>	<u>\$ 748,922.95</u>

The Retirement System sustained a net loss of \$472.96 from bonds called before maturity. This loss has been charged to the Reserve for Interest and Investment Fluctuations.

#### Accounts Receivable—City and County of San Francisco

The following is a summary of the various classifications of accounts due to the Retirement System from the City and County of San Francisco:

Amounts computed in accordance with Sections 166 and 169 of the Charter:			
Current Service:			
Firemen .....			\$5,116,376.74
Policemen .....			1,123,158.69
			<u>\$6,239,535.43</u>
Less:			
Appropriation Credits .....	\$1,123,176.30		
Taxes Receivable allocated to the Retirement System, Net .....		41,853.30	1,165,029.60
			<u>\$5,074,505.83</u>
Police \$2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932.....			348,454.03
			<u>\$5,422,959.86</u>
Employees' Contributions in course of collection..			34,537.79
City's matching Contributions, Current Service..			50,452.68
Prior Service Retirement Allowances.....			22,194.54
Compensation Insurance Disbursements.....			3,788.73
			<u>\$5,533,933.60</u>
Less Balance of 1939-40 Appropriation carried forward to cover sick leave study.....			89.61
Total .....			<u>\$5,533,843.99</u>

The amount of \$5,074,505.83 due for Current Service—Firemen and Policemen—represents the balance which would be required from the City and County as of June 30, 1941, to establish an actuarial reserve equal to the liabilities accruing under the Retirement System on account of service rendered by Policemen and Firemen who became members on January 8, 1932,

as provided in the Charter under subdivision (f) of Section 166 and subdivision (d) of Section 169. The subdivisions referred to are as follows:

Section 166, subdivision (f)—Police Department Members:

"In addition to the other contributions required of the City and County under the Retirement System, the City and County shall contribute to the Retirement System during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the retirement system because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county, together with the members' contributions, was not sufficient to meet such liability, then the city and county, shall make such additional contribution as may be necessary to make up the deficit."

Section 169, subdivision (d)—Members of Fire Department:

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which shall be equal to the liabilities accruing under the retirement system because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

The Retirement Board, after an actuarial survey conducted for the purpose of determining the contributions referred to in the above quoted sections of the Charter, established a rate of 6.36 per cent of salaries earned by policemen and 19.16 per cent of salaries earned by firemen, who did not exercise the option granted by the Charter of becoming miscellaneous members of the Retirement System.

On June 7, 1938, the Retirement Board authorized a reduction from 4 per cent to 3½ per cent in the rate of interest credited to member contributions from July 1, 1938. This reduction would have the effect of slightly increasing the percentages stated above in computing City and County contributions. However, no change has so far been made in the percentages.

It has been the policy of the City and County administration to provide funds annually to meet the estimated disbursements for pensions and death benefits payable during the current year to policemen and firemen, rather than to establish reserves to meet the obligations of future years on account of current service. Funds allocated by the Controller from tax collections have been applied by the Retirement System first to cover retirement disbursements and matching contributions of the members in the miscellaneous classifications, and the remainder has then been applied to the contributions required from the City and County under Sections 166 (f) and 169 (d) of the Charter. The accumulated remainders of each year's appropriation, so applied to June 30, 1941, amounted to \$1,123,176.30 which is in excess of the total disbursements to date for pensions and death benefits to Policemen and Firemen. Interest at 3½ per cent has been collected on the net amount due for Current Service.

On January 8, 1932, the members of the Police Relief and Pension Fund became members of the Retirement System. In order to liquidate the amount of accumulated contributions at \$2.00 per month standing to the credit of such members at that date, the total thereof was charged to the City by the Retirement Fund, it being agreed that the City would pay over the accumulations of each member as and when he retired. Accordingly, the amount of \$348,454.03 included in the foregoing summary represents the

accumulated contributions to January 8, 1932, of policemen still in service. During the year under review, \$37,899.01 was received in reduction of this account. The account carries interest at  $3\frac{1}{2}$  per cent which is collected currently.

Employees' contributions in course of collection, \$34,537.79, represent deductions from salary warrants for the second half of June, 1941, covering employees' contributions; included is \$76.75 for contributions for members on Military Leave which is paid by the City. At the close of our examination, the foregoing amounts had been collected.

Under Section 164 of the Charter, the City and County is required to contribute amounts equal to the normal contributions of members. At June 30, 1941, the amount of such matching contributions, not yet received from the City and County was \$50,452.68 made up of:

General City and County.....	\$38,107.86
Due from Operating Public Utilities:	
Municipal Railway .....	8,275.65
San Francisco Water Department.....	3,785.23
Hetch Hetchy Power Division.....	283.94
Total .....	<u>\$50,452.68</u>

In accordance with the San Francisco Municipal Code, Part 1, Article 3, Section 243, disbursements by the Retirement Fund for Prior Service must be reimbursed currently by the City and County. The amount of \$22,194.54 due for Prior Service Retirement Allowances accrued during June, 1941, and is receivable from the following:

San Francisco School Department.....	\$19,592.22
Municipal Railway .....	2,602.32
Total .....	<u>\$22,194.54</u>

All amounts receivable in reimbursement of compensation disbursements were collected before the close of our examination.

#### Taxes Receivable Less Reserve

The Controller's accounts reflect an allocation to the Retirement System of \$71,440.20 representing secured and unsecured delinquent taxes and penalties, with a reserve of \$29,586.90 to cover any uncollectible unsecured personal property taxes.

#### Undistributed Portion of Amounts Previously Applied to Provide Retirement Allowances for Current Service to Be Disbursed Monthly

The amount of \$5,495,842.94 included under the above caption is composed of:

Service retirements, current service:		
Miscellaneous members .....	\$2,748,191.34	
Firemen .....	511,500.18	
Policemen .....	357,057.67	
		<u>\$3,616,749.19</u>
Disability retirements, current service:		
Miscellaneous members .....	\$626,197.60	
Firemen .....	218,807.37	
Policemen .....	254,876.31	1,099,881.28
		<u>1,099,881.28</u>
Death allowances:		
Firemen .....	\$348,390.96	
Policemen .....	430,821.51	779,212.47
		<u>779,212.47</u>
Total .....		<u>\$5,495,842.94</u>

Service retirements and Death allowances represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of the members, increased by annual interest credits computed on the undistributed portion thereof and decreased by the monthly allowances paid to June 30, 1941. Disability retirement annuities and pensions granted to firemen and policemen who did not elect to become miscellaneous members are stated on a similar basis. Disability pensions granted to miscellaneous members, including policemen of that status, are, however, stated at the present value of the pensions calculated as of June 30, 1941. The present value of these pensions was \$209,354.07 in excess of the residue of City and County contributions transferred at the time of retirement. This difference has been charged to City and County Accumulated Contributions, Other.

To test the accuracy of the service and disability retirements and death allowances granted and approved by the Retirement Board during the year under review, we made an examination of selected cases including a comparison of allowances made with actuarial tables and a review of related documents, records and other supporting evidence.

No provision has been made in the Balance Sheet for the liability to retired members for retirement allowances granted on account of prior service, i.e., service in City and County employment before becoming members of the Retirement System.

#### Members' Accumulated Contributions

Accumulated contributions of members of the Retirement System who are still in service comprise the following:

Normal contributions, miscellaneous members.....	\$11,242,747.40
Additional contributions, miscellaneous members..	241,148.77
Policemen's \$2.00 contributions.....	658,378.73
Total .....	<u>\$12,142,274.90</u>

Normal contributions are made at varying rates based on the member's age, sex and salary rate. Firemen who are miscellaneous members contribute at separately determined rates. The City is required to match these contributions, as stated elsewhere in this report. Members may also make additional contributions, but the City is not required to match such contributions. All accumulated contributions are credited with interest compounded annually at 3½ per cent, the rate at present authorized by the Retirement Board.

On January 8, 1932, policemen who were members of the Police Relief and Pension Fund, became members of the San Francisco City and County Employees' Retirement System. Members under the former plan were contributing on a basis of \$2.00 each per month and were given options of continuing on this basis or of becoming miscellaneous members on the same conditions as policemen who entered the Department employ after January 8, 1932. The amount of \$658,378.73 stated above represents the contributions of policemen who are still in the service, but who did not elect to become members under the latter classification. Interest on these contributions is also compounded annually at 3½ per cent.

We did not communicate with the members in confirmation of their balances. The Retirement System furnishes each member with an annual statement of his account; extensive tests were made of these statements, but we did not distribute them as in many cases it is not the custom of the System to mail them directly to the members but to forward them to the employing City department for distribution. However, we made comprehensive tests of the calculations and contribution rates as shown on the members' ledger accounts and reconciled the total balances with the control accounts. Credits to the control accounts for interest are computed on the balances as shown by the control accounts; minor differences between the controls and the detail ledger balances are adjusted annually through the Reserve for interest and investment fluctuations.

### City and County Accumulated Contributions—Current Service

City and County contributions accumulated for the benefit of members still in service may be stated as follows:

Matching Contributions, miscellaneous members....	\$11,242,747.40
Firemen .....	3,499,442.66
Policemen .....	203,464.77
<b>Total .....</b>	<b>\$14,945,654.83</b>

As already noted the City and County makes contributions equal to those of the miscellaneous members. Upon retirement or death such matching contributions form a part of the fund available to provide the benefits to which the member is entitled. However, should the member withdraw from City employ only his own contributions are repaid to him. Record of the matching contributions is kept in the same ledger accounts as the members' contributions and our confirmation was of a similar character.

City and County accumulated contributions for Firemen and Policemen stated on the foregoing page represent contributions on account of firemen and policemen still in service who became members of the Retirement System on January 8, 1932, but did not exercise the option granted by the Charter of becoming miscellaneous members. These contributions, as has already been referred to, are computed on the basis of 19.16 per cent of salaries earned by firemen and 6.36 per cent of salaries earned by policemen.

### City and County Accumulated Contributions, Other

The following is a statement of other City and County accumulated contributions as of June 30, 1941:

City and County matching contributions released by withdrawal of members from City and County employment, held as a reserve to meet the obligations of the City and County arising from benefits granted and prior service of members:

Contributions of General City and County....	\$1,356,129.07
Contributions of Operating Public Utilities:	
Municipal Railway .....	206,937.47
San Francisco Water Department.....	45,917.28
Hetch Hetchy Power Division.....	17,288.74
	<b>\$1,626,272.56</b>

#### Deduct:

Excess of death benefits granted to deceased members over released matching contributions....	\$130,565.96	
Excess of present value of disability pensions for current service as calculated at June 30, 1941, over residue of City and County contributions transferred at time of retirement.....	209,354.07	339,920.03
<b>Total .....</b>		<b>\$1,286,352.53</b>

Principally because of the adoption at June 30, 1941, of new mortality tables for women teachers the excess of present value of current service disability pensions over residue of contributions by City and County increased \$127,819.08 as compared with June 30, 1940. The amount of this excess is determined actuarially by the officials of the Retirement System.

### Accounts Payable

Accounts Payable comprise the following:

Amounts bearing interest—payable in monthly installments to beneficiaries of deceased members.....	\$26,723.27
Warrants unclaimed or refused by payee cancelled by Controller .....	2,072.99
Refundable contributions due to former members who cannot be located.....	456.98
Total .....	<u>\$29,253.24</u>

Most of the contributions due to former members have been outstanding for a number of years.

### Reserve for Interest and Investment Fluctuations

The Reserve for Interest and Investment Fluctuations represents the excess of interest earned since the inception of the System plus net profit on bonds sold or redeemed, over interest credited on members and City and County contributions and undistributed portions of retirement allowances. Deducted also are the small accumulated differences between various general ledger controlling accounts and the totals of balances per members' individual ledger accounts.

The rate of interest credited to the members and the City and County on the contributions made by them, was on a basis of  $3\frac{1}{2}$  per cent per annum for the period under review.

The average rate of interest earned on Retirement Fund investments while still in excess of  $3\frac{1}{2}$  per cent is decreasing yearly. This is due not only to the low interest rate on securities purchased out of current contributions, but also to the fact that securities purchased in the past bearing higher interest rates have to be reinvested as they mature, in securities with a lower yield.

The following is a statement of the reserve account for the year ended June 30, 1941:

Balance as of June 30, 1940.....		\$ 750,511.41
Add:		
Interest earned:		
On investment bonds.....	\$1,048,103.75	
On accounts receivable.....	183,887.90	
	<u>\$1,231,991.65</u>	
Adjustment of contribution controls—net.....	461.38	1,232,453.03
		<u>\$1,982,964.44</u>
Deduct:		
Interest credited to members and the City and County on their contributions and on undistributed portions of retirement allowances..	\$1,119,100.11	
Net loss on bonds called.....	472.96	1,119,573.07
Balance as of June 30, 1941.....		<u>\$ 863,391.37</u>

### Compensation Insurance

As of June 30, 1941, all departments of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions



being administered by the Retirement System. Section 172 of the Charter covering compensation insurance reads in part as follows:

"The benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to or on account of officers and employees, including teachers of the city and county, shall be administered exclusively by the retirement board, provided that the retirement board shall determine whether the city and county, through the retirement system, shall assume the risks under the said law, in whole or in part, or whether it shall reinsure such risks, in whole or in part, with the State Compensation Insurance Fund. Benefits under such risks as may be assumed by the city and county and premiums under such risks as may be reinsured shall be paid by the retirement system, and an amount equal to the total of such benefits and premiums, as determined by the actuary for any fiscal year, including the deficit brought forward from previous years, shall be paid during such fiscal year to the retirement system by the city and county."

All disbursements made by the Retirement System during the year under review on account of compensation expenditures were repaid by the City and County with the exception of the amount of \$3,788.73 which is included on the balance sheet under the accounts receivable due from the City and County. The above quoted section of the Charter provides that liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year; however, the payments received have reimbursed the Retirement System for actual disbursements only. Compensation awards and claims pending at June 30, 1941, were estimated by the Retirement System at \$182,836.41.

#### GENERAL

We take this opportunity of expressing our appreciation of the cooperation afforded us by the officials and employees of the Retirement System and the Controller's office.

Yours truly,

PEAT, MARWICK, MITCHELL & CO.

## EXHIBIT "A"

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

**STATEMENT OF REVENUES AND EXPENDITURES**

For the Year Ended June 30, 1941

## Revenues:

## Members' Contributions:

Normal Contributions, Miscellaneous  
Members:

By employees .....	\$ 1,020,308.67
By City for employees on military leave .....	775.68

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\$ 1,021,084.35

Redeposited Normal Contributions, Miscellaneous Members .....	1,789.75
Members' Additional Contributions.....	45,536.08
Police \$2.00 Contributions.....	7,221.00

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\$1,075,631.18

City and County Contributions to match Normal Contributions of Miscellaneous Members .....	1,021,084.35
--	--------------

Contributions by City and County to meet Current Service obligations:

Firemen .....	\$ 432,388.13	
Policemen .....	48,058.12	480,446.25

Contributions by City and County to meet Prior Service obligations:

Miscellaneous Members .....	\$ 480,538.26	
Firemen .....	589,052.45	
Policemen, including Policemen's \$2.00 contributions, accumulated to January 8, 1932, received during year \$37,899.01 .....	326,988.70	

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\$1,396,579.41

Less \$2.00 contributions recorded as assets as of June 30, 1940.....	37,899.01	1,358,680.40
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Other Contributions by City and County:

Administrative Expense .....	\$ 47,052.01	
Compensation Insurance Costs:		
Benefits .....	\$51,112.48	
Medical Charges and Expense. 53,146.84 .....	104,259.32	151,311.33

Deposits by Beneficiaries under Death Claims .....	13,576.37
--	-----------

Interest Accrued on Balances Receivable from City and County.....	183,887.90
---	------------

Income on Investments:

Interest .....	\$1,180,699.51	
Less loss on Bonds called before maturity. ....	472.96	1,180,226.55

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Total Revenues .....	<u>\$ 5,464,844.33</u>
----------------------	------------------------

## EXHIBIT "A" (Continued)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

## STATEMENT OF REVENUES AND EXPENDITURES—Continued

For the Year Ended June 30, 1941

## Expenditures:

## Members' accumulated Contributions withdrawn:

## Miscellaneous Members:

Normal Contributions .....	\$110,723.14	
Additional Contributions .....	1,196.57	

\$111,919.71

Police \$2.00 Contributions.....	4,420.62	\$ 116,340.33
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## Service retirement allowances:

Miscellaneous Members .....	\$728,196.06	
Firemen .....	444,312.48	
Policemen .....	117,247.84	1,289,756.38

## Disability retirement allowances:

Miscellaneous Members .....	\$143,232.25	
Firemen .....	107,130.00	
Policemen .....	162,456.32	412,818.57

## Death allowances:

Firemen .....	\$125,486.04	
Policemen .....	124,832.08	250,318.12

## Death benefits to members' beneficiaries:

Miscellaneous Members .....	\$296,355.52	
Firemen .....	4,800.00	
Policemen .....	24,893.68	326,049.20

## Death benefits to retired members' beneficiaries:

Miscellaneous Members .....	\$ 45,336.38	
Policemen .....	3,000.00	48,336.38

## Monthly installments to death claim

beneficiaries .....		9,326.29
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## Compensation Costs:

Benefits .....	\$ 51,112.48	
Medical charges and expense.....	53,146.84	104,259.32

Administrative Expenses .....		47,052.01
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Amortization of investment bonds.....		132,595.76
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\$ 2,736,862.36

Less Warrants issued in prior years now cancelled		2,072.99
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Total Expenditures .....		<u>\$ 2,734,789.37</u>
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## RECONCILIATION

Total Assets as of June 30, 1940.....	\$32,032,714.85
Add Revenues for the year ended June 30, 1941.....	5,464,844.33

\$37,497,559.18

Deduct Expenditures for the year ended June 30, 1941	2,734,789.37
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Total Assets as of June 30, 1941.....	<u>\$34,762,769.81</u>
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## EXHIBIT "B"

**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

**BALANCE SHEET**

As of June 30, 1941

**ASSETS**

Cash on Deposit with Treasurer.....	\$ 201,782.07
Accrued Interest on Investment Bonds.....	427,658.71
Investment Bonds—at Cost, less Amortization of premiums and discounts.....	28,557,631.74
Accounts Receivable—City and County of San Fran- cisco .....	5,533,843.99
Taxes Receivable .....	\$71,440.20
Less Reserve for Uncollectible Accounts.....	29,586.90
Total .....	<u>\$34,762,769.81</u>

**LIABILITIES**

Undistributed portion of amounts previously applied to provide Retirement Allowances for Current Ser- vice to be disbursed monthly.....	\$ 5,495,842.94
Members' Accumulated Contributions.....	12,142,274.90
City and County Accumulated Contributions— Current Service .....	14,945,654.83
City and County Accumulated Contributions—Other.....	1,286,352.53
Accounts Payable .....	29,253.24
Reserve for Interest and Investment Fluctuations...	863,391.37
Total .....	<u>\$34,762,769.81</u>

**NOTES:**

1. The above Balance Sheet does not reflect the liability to retired or active members of the Retirement System for Retirement Allowances granted or to be granted on account of prior service, i.e., service in City and County employment before becoming members of the Retirement System. The San Francisco Municipal Code, Part 1, Article 3, Section 243, provides that all allowances paid on account of prior service shall be reimbursed to the Retirement Fund by the City and County.
2. Liabilities for Compensation Awards and Claims as of June 30, 1941, which were estimated by the Retirement System to be \$182,836.41 are not reflected in the above Balance Sheet. Of this amount, \$74,781.99 is estimated to be payable during the year ending June 30, 1942. Benefits and other expenditures paid by the Retirement System on account of these Claims will be reimbursed by the City and County.

SCHEDULE "1"  
**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'**  
**RETIREMENT SYSTEM**  
**INVESTMENT BONDS**  
**As of June 30, 1941**

Description	Par Value	Book Value June 30, 1941
<b>Government, State, Municipal and Other Political Subdivisions:</b>		
United States Government.....	\$ 450,000.00	\$ 470,199.18
State of California.....	3,182,000.00	3,239,781.33
State of California Toll Bridge Authority.....	430,000.00	457,666.91
City and County of San Francisco.....	3,583,800.00	3,818,366.64
East Bay Municipal Utility District.....	1,678,000.00	1,864,279.11
City of New York .....	4,081,000.00	4,729,262.91
Golden Gate Bridge and Highway District....	500,000.00	560,734.37
City of Los Angeles.....	2,163,000.00	2,521,864.71
Los Angeles County Flood Control District...	1,279,000.00	1,512,717.44
Marin Municipal Water District.....	361,000.00	377,510.57
Metropolitan Water District of Southern California .....	4,122,000.00	4,713,673.75
City of Richmond.....	403,000.00	427,693.35
City of Sacramento.....	393,000.00	424,267.79
City of Stockton.....	373,000.00	400,857.32
Other California Municipalities and School Districts, etc. ....	1,684,275.00	1,756,714.54
<b>Total .....</b>	<b>\$24,683,075.00</b>	<b>\$27,275,589.92</b>
<b>Railroads:</b>		
Atchison, Topeka and Santa Fe Railroad Company .....	\$ 91,000.00	\$ 86,564.55
Southern Pacific Railroad Company.....	393,100.00	389,047.67
Union Pacific Railroad Company.....	59,000.00	57,506.65
<b>Total .....</b>	<b>\$ 543,100.00</b>	<b>\$ 533,118.87</b>
<b>Other Public Utilities:</b>		
California Water Service Company.....	\$ 28,000.00	\$ 28,824.49
San Joaquin Light and Power Company.....	422,000.00	458,244.98
Southern California Gas Company.....	194,000.00	190,393.84
Southern Counties Gas Company.....	75,000.00	71,459.64
<b>Total .....</b>	<b>\$ 719,000.00</b>	<b>\$ 748,922.95</b>
<b>Total .....</b>	<b>\$25,945,175.00</b>	<b>\$28,557,631.74</b>

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# Annual Report

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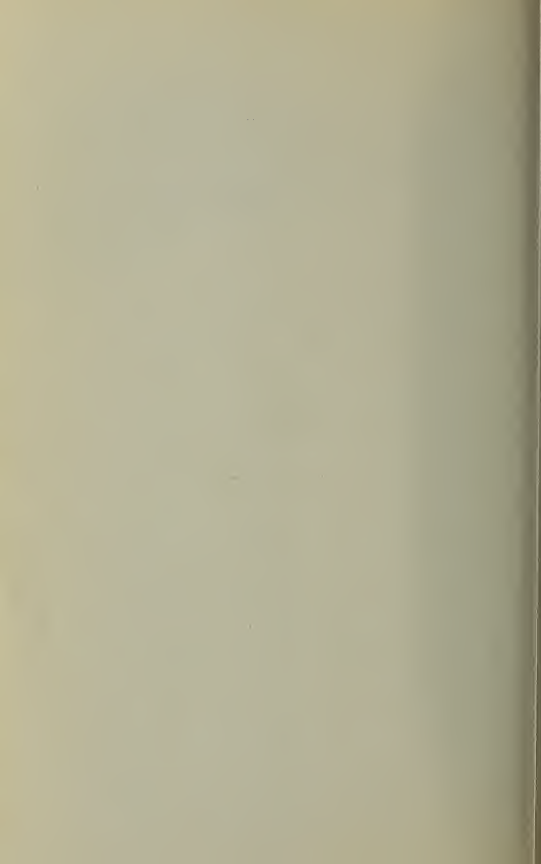
# Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1942





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# Annual Report

of the

# Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1942



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December 15, 1942

To His Honor, the Mayor, and The Honorable Board of Supervisors,  
City and County of San Francisco.

Gentlemen:

In conformance with the provisions of Section 65 of the Charter, the annual report of the Controller, for the fiscal year ended June 30, 1942 is submitted herewith.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Ernst and Ernst by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of departments were made by the Controller's Audit Staff, with the exception of the following audits which were made by the firms indicated:

Hetch Hetchy Water Supply and Power Project, by John F. Forbes & Company.

San Francisco Water Department, by F. W. Lafrentz & Company.

Municipal Railway, by Lybrand, Ross Bros. & Montgomery.

Retirement System, by James O. Sully and Company.

San Francisco School Department, by Benjamin H. Hicklin.

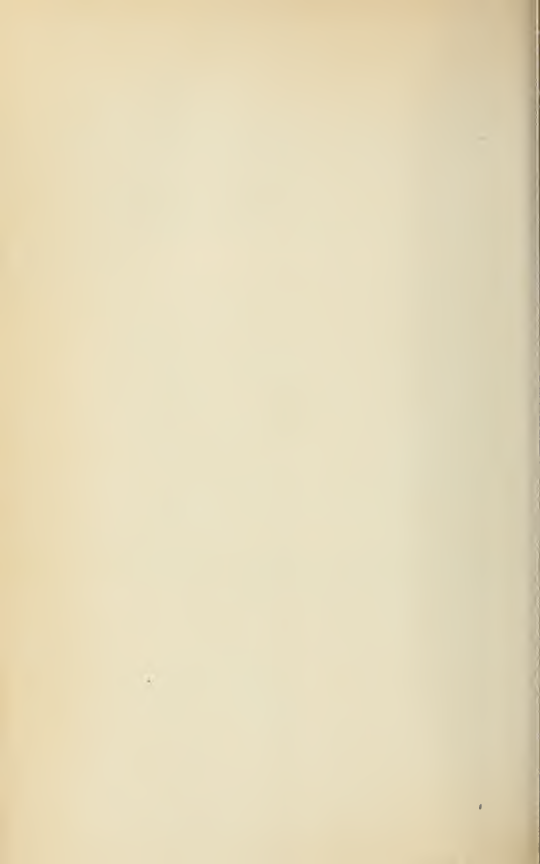
A special report of Examination of Treasure Island Airport was made by Ernst and Ernst.

Your attention is directed to the Controller's statistical schedules and charts included herein, particularly those schedules setting forth an analysis of Civilian Defense Expenditures to June 30, 1942.

Yours very truly,

A handwritten signature in dark ink, appearing to read "H. P. Boyd". The signature is fluid and cursive, with a long horizontal stroke at the bottom.





CITY AND COUNTY OF SAN FRANCISCO (a)

ASSESSMENT ROLLS

Fiscal Years 1919-1920 to 1942-1943

Fiscal Year	Real Estate	Improvements	Tangible Personal Property	Exemptions Less Veterans'	Total Valuations to City and County Rates	Solvent Credits (e)	Stocks and Bonds (d)	Total Non-Operative	Property Assessed by State Board of Equalization (c)	Operative Roll (b)	Total Assessment Roll	Tax Rate Per \$100 Valuation
1919-20	\$297,744,425	\$184,756,781	\$ 84,311,606		\$566,812,812		\$ 566,812,812	\$227,272,481	\$ 794,085,298	\$3.08		
1920-21	298,146,865	188,853,890	98,013,313		585,014,068		585,014,068	233,059,934	818,074,002	3.18		
1921-22	297,625,295	204,402,007	107,884,462		609,911,764		609,911,764	257,702,240	867,614,004	3.47		
1922-23	296,998,570	212,462,451	105,854,076		615,315,097		615,315,097	240,946,158	856,261,255	3.47		
1923-24	303,170,530	230,371,461	110,620,662		644,162,653		644,162,653	272,514,917	916,677,570	3.47		
1924-25	309,976,590	252,747,908	121,375,422		684,099,920		684,099,920	305,218,982	989,318,902	3.47		
1925-26	328,345,480	275,483,311	129,944,189		733,772,980		733,772,980	316,802,456	1,050,575,436	4.13		
1926-27	338,373,870	296,410,808	121,844,239		756,628,917		756,628,917	225,914,698	982,543,615	3.66		
1927-28	340,908,020	317,845,607	125,673,196		784,426,823		784,426,823	240,926,342	1,025,353,165	3.80		
1928-29	347,893,591	337,140,412	121,997,487		807,031,490		807,031,490	248,483,881	1,055,514,871	3.96		
1929-30	349,457,070	349,915,305	108,086,685		807,459,060	\$106,181,728	\$282,798,274	1,196,439,062	1,560,205,982	3.94		
1930-31	346,787,760	348,341,335	106,640,980		801,770,075	142,755,055	358,499,935	1,303,025,065	1,708,253,747	4.04		
1931-32	344,350,099	351,127,948	97,810,358		793,288,405	154,238,456	255,679,223	1,203,206,084	1,599,564,717	4.04		
1932-33	341,570,705	353,513,845	95,209,061		790,293,611	116,531,852	142,695,341	1,049,520,804	1,433,471,148	3.96		
1933-34	335,496,235	331,475,855	79,975,152		746,947,242	115,555,468	111,851,888	974,354,598	1,412,327,865	3.48		
1934-35	333,115,690	329,544,221	76,793,422		739,453,333	111,675,150	177,197,820	1,028,326,303	1,366,102,383	3.863622		
1935-36	324,713,626	328,199,331	75,512,159)		108,476,795	172,810,808)	1,009,712,719	\$136,641,100	1,146,353,819	3.681917		
1936-37	325,377,202	334,889,674	74,053,287)		40,443,140	8,946,840)	853,709,371					
1937-38	324,562,756	336,291,966	79,036,646)	\$6,172,383	816,088,350	38,772,180	126,712,750	126,712,750	980,422,121	3.734		
1938-39	322,417,683	341,878,215	78,005,290)		121,647,347	35,886,580	125,902,660	114,496,630	993,399,466	3.871		
1939-40	322,469,139	343,216,155	74,871,973)		120,635,532	854,415,450	129,673,670	114,496,630	971,901,241	4.04		
1940-41	312,629,627	348,129,782	77,360,942)		122,131,993	853,280,825	129,673,670	123,910,630	984,089,120	3.937		
1941-42	306,293,403	352,478,552	85,482,331)		150,089,220	887,081,730	126,798,290	123,910,630	977,191,455	4.295		
1942-43	301,953,723	358,549,932	90,121,886)		194,667,853	937,821,140	154,085,650	126,798,290	1,013,964,170	4.396		
	(c) 15,350,210	40,765,910	32,143,990)	7,472,254	65,825,540				1,091,906,790	4.48		

(a) Includes Junior College, High School and Elementary School Districts.

(b) Not subject to City and County and School District tax levy.

(c) Property assessed by State Board of Equalization—Subject to City and County and School District tax levy.

(d) Eliminated from roll by 1935 legislature, previously taxed at the rate of 20c per \$100.

(e) Taxed at the rate of 10c per \$100.



CITY AND COUNTY OF SAN FRANCISCO  
DETAIL OF TAX RATES

Fiscal Years 1930-31 to 1942-43

	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43
General Fund—Charter Limit \$1.65.....	1.037954	1.084104	1.439628	1.606582	1.523520	1.305168	1.313201	1.297168	1.497071	1.416945	1.603692	1.305106	1.438962
General Fund—Other Necessary Expenditures Not Limited.....	.798185	.850640	.340466	.....	.467638	.424391	.410339	.427155	.441201	.515663	.520463	.756389	.702603
United School District.....	.....	.....	.....	.....	.....	.....	.....	.....	.617683	.681146	.734577	.791007	.797869
Common School.....	.833823	.912432	.846772	.377301	.333527	.525827	.546397	.569500	.....	.....	.....	.....	.....
Special School Tax.....	.234845	.052811	.045045	.133765	.076407	.120937	.116183	.110734	.....	.....	.....	.....	.....
Recreation.....	.070000	.054616	.070000	.066950	.068826	.079584	.069886	.070000	.071666	.069858	.072742	.092023	.074449
Park.....	1.00000	1.00000	1.00000	1.00000	1.02964	1.09072	1.15674	1.26173	.116052	1.130145	1.134666	1.162224	1.162452
Library.....	.047721	.043203	.042636	.038537	.049217	.050215	.054191	.054914	.047873	.047388	.047340	.051480	.049459
Employees' Retirement.....	.065344	.068515	.181972	.188637	.205129	.195405	.211834	.219404	.225722	.231096	.231838	.232757	.236446
Bond Interest and Redemption.....	.666145	.686330	.805466	.903356	.968989	.793233	.860871	.909315	.883011	.743447	.581581	.532044	.639974
de Young Museum.....	.012654	.009687	.009071	.008113	.008452	.007553	.008778	.010792	.010155	.010310	.010917	.018457	.012941
California Palace of the Legion of Honor.....	.012654	.009687	.008380	.008031	.009318	.008584	.009174	.009514	.009232	.008874	.007415	.009081	.009885
War Memorial.....	.....	.....	.008536	.009633	.008785	.008802	.010415	.011501	.011202	.011707	.011540	.009903	.013079
Publicity and Advertising.....	.029125	.027250	.027883	.028128	.020417	.021566	.024759	.024259	.040000	.040000	.038905	.036029	.036083
Tax Judgments.....	.030495	.031361	.034145	.010967	.013564	.011405	.012941	.012758	.004675	.005944	.006108	.000523	.011639
Special Tax Levied Pursuant to Sec. 405b, Pol. Code.....	.....	.....	.....	.....	.....	.....	.....	.....	.040000	.012467	.040000	.011635	.....
Firemen's Relief.....	.054846	.070060	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Blind Pensions Fund.....	.008000	.008116	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Needy Aged Fund.....	.018209	.031188	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Golden Gate Bridge & Highway District.....	.020000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Special Election Fund.....	.....	.....	.....	.....	.003193	.....	.....	.....	.....	.006607	.003113	.....	.....
Interest on Tax Anticipation Notes.....	.....	.....	.....	.....	.003676	.....	.000928	.000976	.002161	.003516	.005802	.005007	.005006
*Heat, Light and Power.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.099278
Airport.....	.....	.....	.....	.....	.....	.020175	.018429	.016837	.022296	.001887	.044310	.042550	.045738
Hetch Hetchy Water Supply.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.199991	.226261	.144137
Total Levy.....	4.04	4.04	3.96	3.48	3.863622	3.681917	3.784	3.871	4.04	3.937	4.295	4.396	4.48

\*Included in General Fund in prior years.

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CITY AND COUNTY OF SAN FRANCISCO  
AMOUNTS OF TAX LEVIES AND DELINQUENCIES

Fiscal Years 1930-31 to 1941-42

Fiscal Year	Amount of Levy	Uncollected at June 30		Uncollected June 30, 1942	
		Amount	%	Amount	%
1930-31 .....	\$33,177,550.65	\$ 554,801	1.64	\$ 44,049.31*	.13
1931-32 .....	32,714,462.72	718,830	2.20	26,938.10	.08
1932-33 .....	31,752,725.86	1,706,581	5.37	251,640.21	.79
1933-34 .....	26,583,269.62	1,316,809	4.95	187,425.10	.71
1934-35 .....	28,808,182.68	958,096	3.33	54,825.51	.19
1935-36 .....	30,634,662.45	612,784	2.00	52,854.76	.17
1936-37 .....	30,986,643.33	449,704	1.45	54,317.67	.18
1937-38 .....	31,994,074.61	483,081	1.50	73,361.86	.23
1938-39 .....	33,337,811.68	442,132	1.32	70,983.63	.21
1939-40 .....	32,575,922.01	390,407	1.19	98,714.76	.30
1940-41 .....	35,162,784.71	367,339	1.04	164,617.43	.47
1941-42 .....	36,469,224.70	354,994	.97	354,994.39	.97

\*Includes delinquent taxes for 1930-1931 and those of prior years.

CITY AND COUNTY OF SAN FRANCISCO  
BASIS OF TAX LEVY

Fiscal Years 1931-32 to 1942-43, Inclusive

Fiscal Year	Basis of Levy
1931-1932 .....	\$724,886,540
1932-1933 .....	721,252,343
1933-1934 .....	694,815,772
1934-1935 .....	680,141,288
1935-1936 .....	766,223,292
1936-1937 .....	754,537,115
1937-1938 .....	757,155,862
1938-1939 .....	756,115,751
1939-1940 .....	756,757,617
1940-1941 .....	750,308,102
1941-1942 .....	747,749,161
1942-1943 .....	749,497,242



CITY AND COUNTY OF SAN FRANCISCO  
PERCENTAGES OF TAX DELINQUENCY

%	FOR FISCAL YEAR ENDING										%
	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	
5	5.4										5
4		4.9									4
3			3.3								3
2				2.0							2
1					1.5		1.3	1.2	1.0	.97	1



## TAX YIELD OF THE CITY AND COUNTY OF SAN FRANCISCO

Fiscal Year 1942-43

	Valuation	Tax Yield	Rate Per \$100
axes on Property Assessed by City and County			
Real Estate, Improvements and Secured Personal Property			
Real Estate and Improvements.....	\$ 660,503,655	\$29,256,701.14	
Tangible Personal Property.....	8,074,861	360,847.17	
Less Veterans' Exemptions.....	7,472,254		
Net Tangible Value.....	\$ 661,106,262	\$29,617,548.31	\$4.48
Solvent Credits .....	12,683,175	12,683.93	.10
Total .....	\$ 673,789,437	\$29,630,232.24	
Unsecured Personal Property (Collected)			
Tangible Personal Property.....	\$ 48,424,658	\$ 2,128,784.63	\$4.396
Solvent Credits .....	128,347,538	128,352.42	.10
Total .....	\$ 176,772,196	\$ 2,257,137.05	
Unsecured Personal Property (Uncollected)			
Tangible Personal Property .....	\$ 33,622,367	\$ 1,478,046.00	\$4.396
Solvent Credits .....	53,637,140	53,638.08	.10
Total .....	\$ 87,259,507	\$ 1,531,684.08	
Total Assessed by City and County Assessor	\$ 937,821,140	\$33,419,053.37	
axes on Property Assessed by State Board of Equalization			
Real Estate and Improvements.....	\$ 56,116,120	\$ 2,514,002.20	\$4.48
Tangible Personal Property.....	32,143,990	1,440,050.77	4.48
Solvent Credits .....	65,825,540	65,825.54	.10
Total Assessed by State Board of Equalization...	\$ 154,085,650	\$ 4,019,878.51	
Total of Above Assessments.....	\$1,091,906,790		
Total Tax Yield 1942-43.....		\$37,438,931.88	
Reassessments .....		7,224.76	
Total Tax Yield.....		\$37,446,156.64	

## CITY AND COUNTY OF SAN FRANCISCO

## BONDED DEBT LIMIT

At July 1, 1942

(Section 104 of the Charter)

12% of Assessment Roll of \$1,091,906,790 for 1942-43		\$131,028,814
Bonded Debt not Matured—July 1, 1942.....	\$132,901,200	
Bonded Debt Not Matured—July 1, 1942.....}	92,300,000	40,601,200
(Exempt from 12% Limit).....}		
		<hr/> 90,427,614
Deduct unsold bonds not exempt from 12% limit.....		<hr/> 2,500,000
Limit of Future Bond Issues.....		<hr/> <hr/> 87,927,614

CITY AND COUNTY OF SAN FRANCISCO  
ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS  
BASED UPON BONDED INDEBTEDNESS  
As at June 30, 1942

FISCAL YEAR	GRAND TOTAL	Total	Redemption	Bond	Interest	Total	Redemption	Bond	Interest	BOND REDEMPTION	BOND INTEREST
1942-1943	\$ 13,931,879.50	\$ 5,442,117.00	\$ 3,832,100.00	\$ 1,610,017.00	\$ 8,489,762.50	\$ 4,173,000.00	\$ 4,173,000.00	\$ 4,136,385.00	\$ 431,6762.50		
1943-1944	13,607,293.50	5,297,908.50	3,832,100.00	1,465,808.50	8,309,385.00	4,173,000.00	4,173,000.00	4,136,385.00			
1944-1945	12,906,107.50	4,777,100.00	3,457,000.00	1,320,100.00	8,129,007.50	4,173,000.00	4,173,000.00	3,956,007.50			
1945-1946	12,592,217.50	4,643,587.50	3,457,000.00	1,186,587.50	7,948,630.00	4,173,000.00	4,173,000.00	3,775,630.00			
1946-1947	11,979,442.50	4,210,505.00	3,157,000.00	1,053,505.00	7,768,937.50	4,173,000.00	4,173,000.00	3,595,937.50			
1947-1948	11,565,400.00	3,976,155.00	3,053,000.00	923,155.00	7,589,245.00	4,173,000.00	4,173,000.00	3,416,245.00			
1948-1949	10,573,917.50	3,164,365.00	2,355,000.00	809,365.00	7,409,552.50	4,173,000.00	4,173,000.00	3,236,552.50			
1949-1950	9,731,817.50	2,786,957.50	2,075,000.00	711,957.50	6,944,860.00	3,888,000.00	3,888,000.00	3,056,860.00			
1950-1951	9,460,880.00	2,690,857.50	2,074,000.00	616,857.50	6,770,022.50	3,888,000.00	3,888,000.00	2,882,022.50			
1951-1952	9,190,962.50	2,595,777.50	2,074,000.00	521,777.50	6,595,185.00	3,888,000.00	3,888,000.00	2,707,185.00			
1952-1953	8,148,737.50	1,728,325.00	1,285,000.00	443,325.00	6,420,412.50	3,888,000.00	3,888,000.00	2,532,412.50			
1953-1954	7,636,010.00	1,493,750.00	1,110,000.00	383,750.00	6,142,260.00	3,782,000.00	3,782,000.00	2,360,260.00			
1954-1955	6,598,917.50	1,343,550.00	1,010,000.00	333,550.00	5,255,367.50	3,050,000.00	3,050,000.00	2,205,367.50			
1955-1956	6,212,465.00	1,097,350.00	810,000.00	287,350.00	5,115,115.00	3,050,000.00	3,050,000.00	2,065,115.00			
1956-1957	5,906,262.50	931,400.00	680,000.00	251,400.00	4,974,862.50	3,050,000.00	3,050,000.00	1,924,862.50			
1957-1958	5,733,310.00	898,700.00	680,000.00	218,700.00	4,834,610.00	3,050,000.00	3,050,000.00	1,784,610.00			
1958-1959	5,560,360.00	866,000.00	680,000.00	186,000.00	4,694,360.00	3,050,000.00	3,050,000.00	1,644,360.00			
1959-1960	5,387,410.00	833,300.00	680,000.00	153,300.00	4,554,110.00	3,050,000.00	3,050,000.00	1,504,110.00			
1960-1961	5,114,460.00	700,600.00	580,000.00	120,600.00	4,413,860.00	3,050,000.00	3,050,000.00	1,363,860.00			
1961-1962	4,751,010.00	477,400.00	380,000.00	97,400.00	4,273,610.00	3,050,000.00	3,050,000.00	1,223,610.00			
1962-1963	4,592,560.00	459,200.00	380,000.00	79,200.00	4,133,360.00	3,050,000.00	3,050,000.00	1,083,360.00			
1963-1964	4,419,410.00	426,300.00	365,000.00	61,300.00	3,993,110.00	3,050,000.00	3,050,000.00	943,110.00			
1964-1965	4,198,377.50	345,000.00	300,000.00	45,000.00	3,853,377.50	3,050,000.00	3,050,000.00	803,377.50			
1965-1966	3,066,895.00	330,000.00	300,000.00	30,000.00	2,736,895.00	2,050,000.00	2,050,000.00	686,895.00			
1966-1967	2,957,912.50	315,000.00	300,000.00	15,000.00	2,642,912.50	2,050,000.00	2,050,000.00	592,912.50			
1967-1968	2,548,930.00				2,548,930.00	2,050,000.00	2,050,000.00	498,930.00			
1968-1969	2,454,947.50				2,454,947.50	2,050,000.00	2,050,000.00	404,947.50			
1969-1970	2,110,965.00				2,110,965.00	1,800,000.00	1,800,000.00	310,965.00			
1970-1971	1,929,482.50				1,929,482.50	1,700,000.00	1,700,000.00	229,482.50			
1971-1972	775,500.00				775,500.00	600,000.00	600,000.00	175,500.00			
1972-1973	748,500.00				748,500.00	600,000.00	600,000.00	148,500.00			
1973-1974	721,500.00				721,500.00	600,000.00	600,000.00	121,500.00			
1974-1975	694,500.00				694,500.00	600,000.00	600,000.00	94,500.00			
1975-1976	667,500.00				667,500.00	600,000.00	600,000.00	67,500.00			
1976-1977	640,500.00				640,500.00	600,000.00	600,000.00	40,500.00			
1977-1978	613,500.00				613,500.00	600,000.00	600,000.00	13,500.00			
<hr/>											
	\$209,729,840.50	*\$51,831,205.50	\$38,906,200.00	\$12,925,005.50	\$157,898,635.00	\$97,995,000.00	\$59,903,635.00				

Bonds outstanding (unmatured) June 30, 1942 total \$136,201,200.00  
Bonds authorized and unsold June 30, 1942 total \$3,750,000.00 (\$700,000.00 sold in August 1942)

\*Includes \$700,000.00 sold in August, 1942, maturing in 1944, 1945, 1946.

PUBLIC SERVICE ENTERPRISES

GENERAL CITY



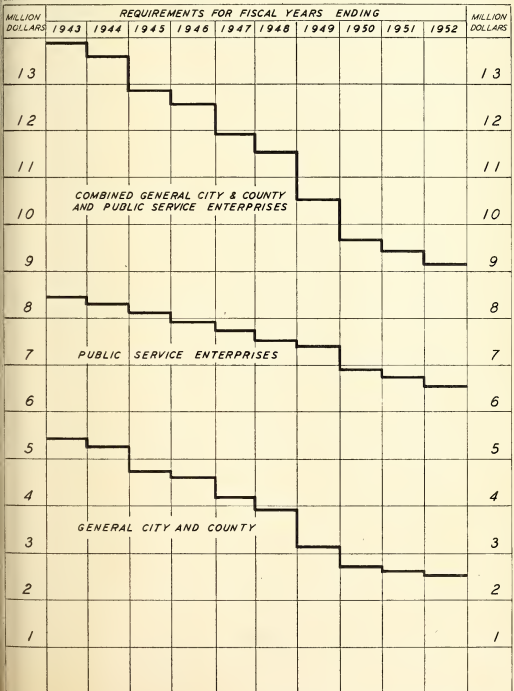
CITY AND COUNTY OF SAN FRANCISCO  
BOND INTEREST AND REDEMPTION  
FUNDING STATEMENT  
For the Eight Years Ended June 30, 1943

FISCAL YEAR ENDED JUNE 30

SOURCE OF REVENUES:							
1943	1942	1941	1940	1939	1938	1937	1936
General City Issues:							
Taxes.....	\$ 5,233,117	\$ 4,435,701	\$ 4,885,809	\$ 4,945,754	\$ 4,811,362	\$ 5,239,364	\$ 4,816,199
Proceeds From Bond Sales.....				181,000	108,502		
Special Road Improvement Fund.....		700,000	280,000	265,000	200,000	200,000	200,000
Federal Grants.....	220,000	275,000	250,000	265,000	278,518	511,991	742,720
Surplus.....	40,000	48,000	194,000	237,196	538,858	191,316	
Public Service Enterprise Issues:							
	5,493,117	5,458,701	5,609,809	5,447,950	5,937,240	6,142,671	5,758,919
Utility Earnings:							
Water Department.....	4,825,820	4,129,215	4,559,590	3,731,325	2,932,025	2,977,025	3,022,025
Hetch Hetchy Power.....	2,148,690	2,157,100	2,245,310	2,244,878	2,085,087	2,201,854	2,220,909
Municipal Railway.....	152,500	157,500	162,500	167,500	177,500	182,500	187,500
Proceeds From Bond Sales.....					795,782		602,000
Federal Grants.....					110,374	1,062,757	814,280
Taxes (Via Utility).....	1,586,503	2,175,075	1,833,968	1,250,268	2,640,956	1,741,072	1,722,739
Surplus.....				1,577,664	82,239	227,325	
	8,713,513	8,618,890	8,801,368	8,971,635	8,823,963	8,392,533	8,569,453
TOTAL BUDGETED REQUIREMENTS.....							
	\$14,206,630	\$14,077,591	\$14,411,177	\$14,419,585	\$14,997,817	\$14,761,203	\$14,535,204
							\$14,328,372



*CITY AND COUNTY OF SAN FRANCISCO*  
*BOND INTEREST AND REDEMPTION*



HAROLD J. BOYD, CONTROLLER



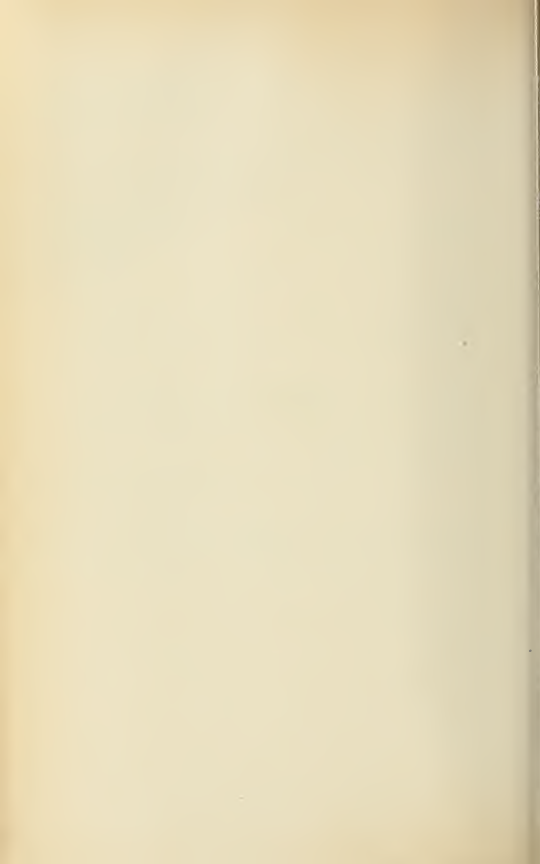
STATEMENT OF EXPENDITURES FOR HOSPITALS, CHARITIES, AND CORRECTIONS  
For the Period from July 1, 1932 to June 30, 1942

FISCAL YEAR ENDED JUNE 30

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
General Administration .....	\$ 47,299.31	\$ 49,540.62	\$ 52,950.06	\$ 93,898.66	\$ 141,010.10	\$ 211,533.21	\$ 208,095.56	\$ 500,895.65(B)	\$ 111,050.37	\$ 102,779.02
Relief of Needy and Unemployed.....	680,016.43	41,653.31(A)	1,649,973.42	1,084,350.97	1,628,894.60	2,097,288.15	2,431,297.55	2,261,399.13	2,350,288.35	2,722,026.92
Poor in Institutions.....	436,564.04	462,748.12	492,858.81	543,110.33	576,303.13	592,388.78	612,752.72	609,538.65	308,885.40	363,929.77
Care of Children.....	862,838.10	783,210.66	794,553.83	794,311.67	842,525.00	873,746.39	1,014,874.36	1,093,701.83	1,177,179.32	1,062,666.00
Hospitals .....	1,323,719.96	1,348,703.73	1,432,241.41	1,594,370.26	1,697,073.46	1,797,316.44	1,813,804.47	1,920,658.29	2,523,969.65	2,741,428.16
Insane in Hospitals.....	137,357.68	160,151.42	160,755.00	167,282.88	114,524.56	173,867.44	180,960.16	181,234.87	174,638.08	185,099.99
Relief of Needy Aged.....	347,828.96	386,474.88	437,823.70	842,247.33	1,924,094.85	2,897,194.73	3,597,510.01	4,368,539.19	5,494,434.25	5,472,964.78
Relief of Needy Blind.....	73,705.82	88,741.84	98,366.50	107,310.18	143,961.35	214,738.65	242,543.62	297,651.13	332,035.52	288,880.84
County Jails .....	187,784.58	167,707.48	181,901.56	212,624.42	242,490.90	247,086.64	226,694.20	233,828.39	230,647.40	260,496.97
Juvenile Court and Detention Home.....	95,062.65	89,829.86	95,422.12	102,942.75	114,960.36	128,070.03	124,186.89	128,808.90	56,460.23	78,289.61
Adult Probation Board .....	27,816.52	24,102.20	25,079.78	25,665.34	26,482.80	26,536.99	27,326.35	26,313.95	26,158.67	26,773.09
Burial of Indigent Dead.....	10,469.00	12,128.00	12,884.00	11,221.00	13,158.00	10,458.00	13,342.00	13,426.00	13,320.00	13,398.00
Coordinating Council Expense.....	-----	-----	-----	-----	-----	-----	1,757.15	7,008.47	6,344.65	6,245.45
	\$4,230,463.05	\$3,614,992.12	\$5,434,810.19	\$5,579,335.79	\$7,465,479.11	\$9,270,225.45	\$10,495,145.04	\$11,643,004.45	\$12,805,411.89	\$13,324,978.60

(A) The Relief of Needy and Unemployed for the fiscal year 1933-1934 was financed from the proceeds of the sale of the 1932 Relief Bonds.

(B) General Administration expense for the fiscal year 1939-1940 includes the cost of distributing funds, which was previously included in relief expenditures.



CITY AND COUNTY OF SAN FRANCISCO  
Summary of Civilian Defense Expenditures, for the Year Ended June 30, 1942

Public Service Enterprises		General City Enterprises	
Salaries and Wages.....		\$142,994.76	\$119,327.03
Equipment.....		131,710.54	104,953.56
Contractual Services.....		67,662.96	66,617.71
Materials and Supplies.....		65,240.81	57,256.27
TOTAL EXPENDITURES TO		\$407,609.07	\$348,154.57
JUNE 30, 1942.....		\$407,609.07	\$59,454.50
The foregoing expenditures are exclusive of the following contractual commitments in the sum of \$203,416.63 for which deliveries and payments therefor, had not been made as at June 30, 1942:			
Helmets.....			
50 Pumps for the Fire Department.....			
78,502.94			
Fire Hose.....			
53,838.10			
390 Pumping Units for Civilian Defense.....			
21,094.40			
Miscellaneous.....			
4,918.69			
		\$203,416.63	

CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE EXPENDITURES  
For the Year Ended June 30, 1942

Public Service Enterprises		General City Enterprises		Other City Departments		Department of Public Works		Health Department		Electricity Department		Fire		Police Department		Civilian Defense Activities		Total General City		Grand Total	
Director, Civilian Defense.....		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00		\$ 2,400.00	
Assistant Director, Civilian Defense.....		300.00		300.00		300.00		300.00		300.00		300.00		300.00		300.00		300.00		300.00	
Secretary.....		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00	
Director, Volunteer Service.....		225.00		225.00		225.00		225.00		225.00		225.00		225.00		225.00		225.00		225.00	
Architect, Civil Engineer.....		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00		250.00	
Senior Clerks.....		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00	
General Clerks.....		155.00		155.00		155.00		155.00		155.00		155.00		155.00		155.00		155.00		155.00	
Telephone Operators.....		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00	
Firemen.....		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00		180.00	
Ambulance Drivers.....		175.00		175.00		175.00		175.00		175.00		175.00		175.00		175.00		175.00		175.00	
Stewards.....		165.00		165.00		165.00		165.00		165.00		165.00		165.00		165.00		165.00		165.00	
Rangers.....		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00	
Watchmen.....		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00	
Porters.....		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00		145.00	
Key Punch Operator.....		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00		150.00	
Office Assistant.....		106.00		106.00		106.00		106.00		106.00		106.00		106.00		106.00		106.00		106.00	
Radio Operator.....		10.00		10.00		10.00		10.00		10.00		10.00		10.00		10.00		10.00		10.00	
Others.....		442.83		442.83		442.83		442.83		442.83		442.83		442.83		442.83		442.83		442.83	
		\$142,994.76		\$119,327.03		\$ 23,725.05		\$ 2,245.99		\$ 79,657.83		\$ 1,865.70		\$ 2,151.77		\$ 9,680.69		\$ 23,667.73		\$ 23,667.73	





CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE EXPENDITURES  
For the Year Ended June 30, 1942

Total	Grand	Total	Civilian	Police	Fire	Department of Electricity	Health	Department of Public Works	Other City	Public Service Enterprises	Water	Department	Hetch Hetchy Project	Municipal Railway
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\$ 19,884.51	\$ 19,884.51	\$ 19,884.51	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84	\$ 19,246.84
Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units	Cost of 42 Units
Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers	Erection of Towers
Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation	Installation
Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting	Fencing and Connecting
Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units	Universal-Hale Pumps, 20 Units
Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader	Recordak and Film Reader
Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment	Blackout Equipment
Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture	Office Furniture
Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment	Office Equipment
Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.	Gas Masks, Helmets, Etc.
Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers	Fire Extinguishers
Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment	Hospital Refrigerating Equipment
Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.	Shotguns, Pistols, Holsters, Etc.
Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks	Automobiles and Trucks
1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan	1 Standard Chevrolet Four-Door Sedan
10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs	10 Chevrolet Truck Chassis with Cabs
10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs	10 G.M.C. 1 1/2-Ton Truck Chassis with Cabs
20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards	20 Steel Express Bodies, with Running Boards
4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons	4 Ford Super Deluxe Station Wagons
2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans	2 Ford Super Deluxe Sedans
3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans
3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans	3 Ford Super Deluxe Sedans
1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon	1 Used Plymouth Station Wagon
1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all	1 Used Chevrolet Carry-all
Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment	Other Equipment
Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver	Mobile Radio Transmitter and Receiver
\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54	\$ 131,710.54

CONTRACTUAL SERVICES:

Stationery and Printing	Telephone and Telegraph	Alterations to Buildings	Postage	Petro Police Station	Headquarters, City Hall	Other	Architectural and Engineering Services	Demonstration Platforms	Office Equipment, Maintenance and Repairs	Car Fare and Mileage	Freight and Drayage	Dues and Subscriptions	Rental of Equipment	Rental of Buildings	Automotive Repairs	Heat, Light and Power	Other Contractual Services:	Fair Rent Committee	San Francisco Medical Society Blood Bank	Wire Fence, Central Fire Alarm Station	Revolving Fund Expenditures During Organization	Interdepartmental Services and Miscellaneous	Laundry, Garbage and Other Services
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MATERIALS AND SUPPLIES:

Mattresses, Blankets, Sheets, Towels, Etc.	Hospital Drugs and Supplies	Reconstruction Materials	Millwork, Lumber, Etc.	Electrical Supplies	Paint Supplies	Plumbing Supplies	Other	Stationery and Office Supplies	Arm Bands, Civilian Defense	Maps	Automotive Parts	Ammunition	Sand Bag Materials	Dishes, Crockery, Etc.	Janitorial Supplies	Miscellaneous Parts	Other Materials and Supplies	Gasoline and Oil	Shovels, Crowbars, Hammers, Etc.
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# CITY AND COUNTY OF SAN FRANCISCO CIVILIAN DEFENSE EXPENDITURES

## CIVILIAN DEFENSE SERVICES

For the Year Ended June 30, 1942

	Other	Volunteer	Registration Office	Public Information Committee	Evacuation Committee	Communication Service	Air Raid Warden Service	Air Raid Shelter Service	Advisory Board	Civilian Defense	Total	
Stationery and Printing.....	\$ 360.89	\$ 650.20	\$ 2,362.94	\$ 79.14	\$ 79.14	\$ 176.26	\$ 2,595.53	\$ 623.76	\$ 1,226.88	\$ 1,869.64	\$ 9,945.24	\$
Telephone and Telegraph.....	2.40	702.47	13.51	25.12	34.50	856.99	259.66	41.51	196.82	1,566.08	3,664.56	\$
Postage.....	46.36	958.74	40.50			1.50	549.54		1,109.15	3,699.99	6,440.28	\$
Alterations to Buildings:												
Headquarters, City Hall.....										3,897.37	3,897.37	
Other.....										149.73	1,609.54	
Architectural and Engineering Services.....							839.81		620.00	1,245.05	1,609.54	
Demonstration Platforms.....										212.75	212.75	
Office Equipment, Maintenance and Repairs.....										169.72	426.44	
Car Fare and Mileage.....	124.21		34.86			115.03	17.48		21.13	198.40	254.39	
Freight and Drayage.....							2.05		34.50	93.50	132.55	
Dues and Subscriptions.....			2.50							42.50	47.50	
Rental of Equipment.....			5.00							78.65	98.65	
Rental of Buildings.....									20.00			
Automotive Repairs.....							1,510.50		435.00		2,323.33	
Heat, Light, and Power.....							6.39		14.20	415.80	446.39	
Other Contractual Services:												
Fair Rent Committee.....	2,224.96										2,224.96	
Revolving Fund Expenditures During Organization.....									4,684.18	3,037.76	9,672.31	
Interdepartmental Services and Miscellaneous.....		2.22			12.98		58.00		51.96		3,104.92	
Laundry, Garbage, and Other Service.....		18.00							28.00		104.00	
MATERIALS AND SUPPLIES:	\$ 45,869.79	\$ 22,119.63	\$ 8,006.82	\$ 665.27	\$ 5,838.96	\$ 1,159.78	\$ 529.57	\$ 2,459.31	\$ 2,331.63	\$ 2,758.82	\$ 9,046.96	\$
Mattresses, Blankets, Sheets, Towels, Etc.....										966.62	966.62	\$
Reconstruction Materials:												
Millwork, Lumber, Etc.....	794.65									794.65	794.65	
Electrical Supplies.....	258.95									258.95	258.95	
Paint Supplies.....	16.21									16.21	16.21	
Stationery and Office Supplies.....	3,971.06									3,971.06	3,971.06	
Arm Bands, Civilian Defense.....	1,442.00									1,442.00	1,442.00	
Maps.....	28.02									28.02	28.02	
Dishes, Crockery, Etc.....	651.48									651.48	651.48	
Sanitary Supplies.....	47.57									47.57	47.57	
Gasoline and Oil.....	20.41									20.41	20.41	
Other Materials and Supplies.....	812.51									812.51	812.51	

## CONTRACTUAL SERVICES:

Stationery and Printing.....

Telephone and Telegraph.....

Postage.....

Alterations to Buildings:

Headquarters, City Hall.....

Other.....

Architectural and Engineering Services.....

Demonstration Platforms.....

Office Equipment, Maintenance and Repairs.....

Car Fare and Mileage.....

Freight and Drayage.....

Dues and Subscriptions.....

Rental of Equipment.....

Rental of Buildings.....

Automotive Repairs.....

Heat, Light, and Power.....

Other Contractual Services:

Fair Rent Committee.....

Revolving Fund Expenditures During Organization.....

Interdepartmental Services and Miscellaneous.....

Laundry, Garbage, and Other Service.....

## MATERIALS AND SUPPLIES:

Mattresses, Blankets, Sheets, Towels, Etc.....

Reconstruction Materials:

Millwork, Lumber, Etc.....

Electrical Supplies.....

Paint Supplies.....

Stationery and Office Supplies.....

Arm Bands, Civilian Defense.....

Maps.....

Dishes, Crockery, Etc.....

Sanitary Supplies.....

Gasoline and Oil.....

Other Materials and Supplies.....





CITY AND COUNTY OF SAN FRANCISCO

For the Fiscal Year 1942-1943

GENERAL CITY:

GENERAL CITY:						
Total	Personal Services	Equipment	Contractual Services	Materials and Supplies	Other	
\$ 26,668.00	\$ 20,220.00		\$ 2,248.00	\$ 1,800.00	\$	2,400.00
21,500.00	7,200.00		14,300.00			
58,623.00	20,460.00	\$ 1,100.00	25,363.00	5,000.00		6,700.00
3,518.00	3,000.00		218.00	300.00		
34,486.00	9,492.00	2,000.00	15,374.00	120.00		7,500.00
3,320.00	1,860.00	620.00	840.00			
1,540.00			1,440.00			100.00
39,185.00		8,000.00	31,185.00			
11,274.00	3,720.00		7,554.00			
2,310.00	1,860.00	200.00	250.00			
1,000.00			1,000.00			
6,140.00		6,140.00				
100,000.00		100,000.00				
10,280.00	5,760.00		4,300.00	220.00		
346,960.00	336,960.00			10,000.00		
12,180.00	12,180.00					
5,718.00	3,718.00			2,000.00		
38,762.00	30,090.00	3,504.00	2,183.00	2,560.00		425.00
2,100.00	2,100.00					
380,000.00						380,000.00
70,000.00	41,500.00		12,000.00	16,140.00		360.00
635,000.00						635,000.00
\$1,810,564.00	\$ 500,120.00	\$ 121,564.00	\$ 118,255.00	\$ 38,140.00		\$1,032,485.00
\$ 47,439.00	\$ 9,779.00	\$ 4,500.00	\$ 31,360.00		\$	1,800.00
49,960.00	12,600.00	8,250.00	26,220.00			2,890.00
\$ 97,399.00	\$ 22,379.00	\$ 12,750.00	\$ 57,580.00		\$	4,690.00
\$1,907,963.00	\$ 522,499.00	\$ 134,314.00	\$ 175,835.00	\$ 38,140.00		\$1,037,175.00
TOTAL CIVILIAN DEFENSE APPROPRIATIONS						
SOURCE OF FUNDS TO BE PROVIDED:						
From Taxes						
\$1,535,564.00						
From Utility Earnings						
372,399.00						
\$1,907,963.00						



# Office of the Controller

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

ERNST & ERNST  
ACCOUNTANTS AND AUDITORS  
SYSTEM SERVICE

San Francisco  
300 Montgomery Street

November 19, 1942.

To the Honorable Board of Supervisors, City and County of San Francisco,  
San Francisco, California.

Sirs:

In accordance with instructions as set forth in your Resolution No. 2753, adopted July 6, 1942, we have made an examination relating to the transactions, accounts and records pertaining to the office of the Controller of City and County of San Francisco for the year ended June 30, 1942, as hereafter commented upon. During our examination, we reviewed the system of internal control and the accounting procedures relating to revenues, expenditures, appropriations and encumbrances and without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

The Charter provides for audit by the Controller of accounts of all boards, officers and employees of the City and County charged in any manner with the custody, collection or disbursement of funds. We examined the report of the General Audit Division of the Controller's office as at June 30, 1942, covering examination of the cash, securities and accounts of the Treasurer's office and certain other reports covering examinations made during the past year of the records of various boards, officers and employees. We also examined the audit assignment schedules of both the General and the Public Utilities Audit Divisions.

The Controller's Office examined the accounts of the San Francisco Airport, which included the operating revenues and expenses of Treasure Island shown herein, and the accompanying information relating to the Public Utilities Commission was compiled by the Controller's Office. The accounts of Municipal Railway, San Francisco Water Department and Hetch Hetchy Water Supply and Power Project, were examined by independent public accountants. Under date of June 27, 1942, we rendered a separate report with respect to expenditures made to create and for construction on or pertaining to Treasure Island. The figures included in this report for the several Public Utility Enterprises and the Treasurer's office, are in agreement with such reports and are subject to the comments contained therein.

## REVENUES, EXPENDITURES AND CURRENT SURPLUS

We made a general review of the recorded general City and County revenues and expenditures for the year and we made test checks in regard thereto, but in accordance with the terms of our engagement, we did not make a detailed examination of transactions for the year.

Following is a condensed comparative summary of general City and County revenues, expenditures and current surplus for the years ended June 30, 1942 and June 30, 1941.

Revenues:	Year Ended June 30	
	1942	1941
Property taxes and penalties.....	\$36,449,752.78	\$35,054,385.00
Other taxes and licenses.....	1,058,009.78	1,021,319.98
Received through State of California.....	13,381,805.82	13,178,370.99
General City and County services.....	2,140,159.48	2,022,418.50
Contributions from Water Department.....	318,678.00	454,425.00
Fines, forfeits and penalties.....	580,211.57	539,899.57
Cash transferred from capital funds.....	748,183.89	308,905.34
From use of money and property.....	24,702.11	127,657.44
<b>Total revenues.....</b>	<b>\$54,701,503.43</b>	<b>\$52,707,381.82</b>
Expenditures:		
General City and County expenses.....	\$41,650,845.56	\$39,995,497.68
Bond interest and redemption.....	4,863,342.08	5,014,100.76
Pensions and compensation insurance.....	2,493,028.64	2,451,517.11
Contributions to public service enterprises..	2,533,029.70	2,403,174.19
Contributions to other civil projects.....	141,000.00	263,498.00
Capital additions from revenues.....	1,473,319.95	1,247,743.85
Civilian Defense .....	348,154.57	.....
Other .....	891,178.97	759,163.78
<b>Total expenditures .....</b>	<b>\$54,393,899.47</b>	<b>\$52,134,695.37</b>
Net revenues .....	\$ 307,603.96	\$ 572,686.45
Current surplus from preceding year.....	6,432,464.09	5,859,777.64
<b>Current surplus at end of year.....</b>	<b>\$ 6,740,068.05</b>	<b>\$ 6,432,464.09</b>

The summary of general City and County revenues, expenditures and current surplus does not include the revenues, expenditures and surplus of public service enterprises, a summary of which is included elsewhere in this report.

The following comments relate to items set forth in the condensed comparative summary of general City and County revenues, expenditures and current surplus.

### Property taxes:

The increase in revenues from property taxes and penalties in the amount of \$1,395,367.78 arises from the following changes in tax rate and assessed valuation:

	Taxes	Tax Rate
1941-1942.....	\$36,449,752.78	\$4.396
1940-1941.....	35,054,385.00	4.295
<b>Increase.....</b>	<b>\$ 1,395,367.78</b>	

Following is a summary of the assessment rolls:

Property assessed by City and County Assessor:

Tangible property:	1941-42	1940-41
Real estate and Improvements.....	\$658,771,955	\$660,759,409
Personal property, secured.....	6,836,182	7,117,357
Total.....	\$665,608,137	\$667,876,766
Less veterans' exemptions.....	7,177,626	6,971,519
	\$658,430,511	\$660,905,247
Personal property, unsecured.....	78,646,149	70,243,585
Total.....	\$737,076,660	\$731,148,832
Intangible property:		
Solvent credits (10c per \$100).....	\$150,089,220	\$122,131,993

Property assessed by State Board of Equalization:

Tangible property:		
Real estate and Improvements.....	\$ 56,484,740	\$ 56,524,500
Personal property .....	32,908,920	32,913,470
	\$ 89,393,660	\$ 89,437,970
Intangible property:		
Solvent credits (10c per \$100).....	\$ 37,404,630	\$ 34,472,660
Total property subject to City and County taxes .....	\$1,013,964,170	\$977,191,455

The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

- (1) Railroad companies including street railways, herein defined to include interurban railways, whether operating in one or more counties
- (2) Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit and other car-loading and other car companies, operating upon the railroads in the state
- (3) Companies doing express business on any railroad, steamboat, vessel, or stage line in the state
- (4) Telegraph and telephone companies
- (5) Companies engaged in the transmission or sale of gas or electricity."

## Other taxes and licenses:

The items included under this caption for the current year are set forth below in more comprehensive detail and compared with items of the preceding year:

Franchise taxes:	Year Ended June 30	
	1942	1941
The Pacific Telephone and Telegraph Company..	\$ 305,971.31	\$ 293,450.34
Market Street Railway Company.....	40,787.58	38,833.99
California Street Cable Railroad Company.....	4,445.66	4,933.54
American District Telegraph Company.....	5,022.05	5,896.57
Pacific Gas and Electric Company.....	166,644.94	160,000.00
Total franchise taxes.....	\$ 522,871.54	\$ 503,114.44
Licenses:		
Business .....	\$ 445,989.24	\$ 418,285.63
Professional and occupational.....	39,278.50	43,338.41
Vehicle .....	25,839.50	29,513.50
Non-business .....	24,031.00	27,068.00
Total licenses .....	\$ 535,138.24	\$ 518,205.54
Total franchise taxes and licenses.....	\$1,058,009.78	\$1,021,319.98

## Revenues received through the State of California:

Following is a comparative summary of the captioned items received through the State of California:

	Year Ended June 30	
	1942	1941
Alcoholic beverage licenses.....	\$ 450,700.56	\$ 585,240.45
Motor vehicle licenses—County.....	531,619.38	447,633.90
Motor vehicle licenses—City.....	559,078.29	615,450.35
County roads .....	1,310,875.75	1,400,510.16
Gas tax street improvement.....	602,051.30	542,037.24
Tubercular patients .....	89,794.84	92,568.04
Maintenance of minors.....	338,516.71	366,896.56
Needy half orphans.....	238,289.59	295,037.59
Needy blind .....	211,168.46	230,138.87
Needy aged .....	4,037,588.99	3,965,747.90
Elementary schools .....	2,238,704.98	2,249,535.25
High schools .....	2,394,962.41	2,325,057.87
Vocational training .....	376,329.56	60,488.54
Other .....	2,125.00	2,028.27
Total.....	\$13,381,805.82	\$13,178,370.99

The increase in vocational training aid results primarily from vocational training in connection with war activities.

**General City and County expenses:**

General City and County expenses showed an increase of \$1,655,347.88 for the current year over the preceding year. These expenses are set forth below according to functional captions and compared for the two years.

	Year Ended June 30	
	1942	1941
General government .....	\$ 3,966,206.85	\$ 4,087,802.93
Public safety .....	7,383,683.83	7,354,689.63
Highways .....	1,388,509.01	1,304,626.40
Sanitation and waste removal.....	1,187,541.87	1,066,773.66
Health conservation .....	824,803.59	759,713.00
Hospitals.....	2,982,139.61	2,755,472.26
Charities .....	9,977,279.32	9,736,673.33
Corrections .....	365,559.67	313,266.30
Schools and libraries.....	10,963,337.17	10,286,844.98
Recreation .....	2,611,784.64	2,329,635.19
<b>Total.....</b>	<b>\$41,650,845.56</b>	<b>\$39,995,497.68</b>
	<u>39,995,497.68</u>	
<b>Increase.....</b>	<b>\$ 1,655,347.88</b>	

A more comprehensive detailed comparison of General City and County expenses is shown in a separate schedule submitted elsewhere in this report.

**PROPRIETARY BALANCE SHEET**

The following comments relate to general City and County items shown in the Proprietary Balance Sheet and to the scope of our examination:

**Fixed Capital**

Our review and test check of vouchers relating to property accounts served to indicate that charges to general City and County properties made during the year represented proper additions to said accounts. It is not the custom of the City and County to provide for depreciation of fixed assets except in the case of Public Service Enterprises.

**Cash**

An examination of the records with regards to money received and disbursed by the Treasurer during the year was made by the General Audit Division of the Controller's Office whose report is elsewhere included in the annual report of the Controller.

The amounts of imprest funds maintained by general City and County departments aggregating \$31,100.00 were acknowledged directly to us by the respective custodians.

**Taxes Receivable**

A summary of taxes receivable is set forth as follows:

Taxes:	Secured	Unsecured
1941-42 .....	\$266,156.62	\$ 88,837.77
1940-41 .....	112,314.05	52,303.38
1939-40 .....	68,125.74	30,589.02
Prior years .....	267,497.58	548,898.57
	<u>\$714,093.99</u>	<u>\$720,628.74</u>
Penalties, cost and interest.....	21,222.82	107,115.81
<b>Total.....</b>	<b>\$735,316.81</b>	<b>\$827,744.55</b>

Unsecured taxes, costs, penalties and interest receivable aggregating \$827,744.55, as shown above, are fully reserved, to provide for the possibility of non-payment.

Taxes receivable were not confirmed by communication with property owners, but we checked footings and computations for a number of the delinquent tax roll volumes.



## Franchises and Subventions Receivable

The composition of the amount of \$1,608,931.73 is set forth in the following summary:

### Franchise revenues receivable:

Pacific Telephone and Telegraph Company.....	\$ 208,000.00
Pacific Gas and Electric Company.....	80,000.00
Market Street Railway Company.....	22,000.00
American District Telegraph Company.....	2,600.00
California Street Cable Railroad Company.....	2,200.00
	<hr/>
	\$ 314,800.00

### Subventions receivable from State of California:

County roads .....	\$505,000.00	
Beverage licenses .....	335,000.00	
Special gas tax street improvements.....	203,003.78	
Vocational training .....	99,657.91	
Motor vehicles license.....	55,143.98	
Tubercular patients .....	44,150.00	
Fire boats .....	31,250.67	
Maintenance of aged and minors.....	20,925.39	1,294,131.73
	<hr/>	
Total.....		<u>\$1,608,931.73</u>

The franchise revenues receivable represent accruals to June 30, 1942, based upon available data. The above amounts are set forth in accordance with confirmations received, claims filed or estimates covering claims not yet filed.

## Other Accounts and Note Receivable

A summary of the composition of the amount for other accounts and note receivable is shown as follows:

### General City and County:

Departmental accounts receivable.....	\$ 721,072.44
Golden Gate Bridge and Highway District.....	10,372.00
Other.....	8,525.79
	<hr/>
	\$ 739,970.23
Amount due from sale of bonds to investment bankers.....	500,078.00
	<hr/>
Total general City and County.....	<u>\$1,240,048.23</u>

Departmental accounts receivable are not taken up on the Controller's records until they become delinquent or it is decided that special collection effort is necessary. At that time they are turned over to the Bureau of Delinquent Accounts and the amount is taken up by the Controller as a receivable with an offsetting reserve for the full amount. Accounts shown above in the aggregate amount of \$739,970.23 are reserved to the extent of \$736,604.05.

We did not independently confirm the balances of the accounts by direct communication with the debtors, except that we did confirm the amount due from sale of bonds.

## Investments

Investments are set forth in the following summary:

Employees' Retirement System—Bonds:		
	Par Value	Book Value
Municipal .....	\$21,712,562.50	\$24,397,006.94
State of California.....	2,981,000.00	3,027,820.32
United States of America.....	1,675,000.00	1,692,262.41
Public Utility .....	1,026,000.00	1,066,212.30
Railroads .....	543,100.00	533,712.00
<hr/>		
Total Employees' Retirement System .....	\$27,937,662.50	\$30,717,013.97
<hr/>		
Bequest and Trust Funds:		
Stocks and bonds.....		\$ 311,939.87
Real estate, etc.....		54,840.00
<hr/>		
Total bequests and trust funds.....		\$ 366,779.87
<hr/>		
Total.....		\$31,083,793.84
<hr/>		

The above investment securities are in the joint custody of the Controller and the Treasurer. Joint inspection of Employees' Retirement System securities was made by the Controller's audit staff and independent public accountants for the system. Bequest and trust fund securities were accounted for by the Controller's audit staff only.

## Lease Deposit

The deposit of \$100,000.00 face value of 2½% United States of America Treasury Bonds was required by the City and County in connection with a lease of property. The security evidencing the deposit was inspected by the General Audit Division of the Controller's Office.

## Deferred Charges

Relief expenditures financed by long-term loans.

The amount of \$4,006,523.00 represents the balance at June 30, 1942 of bonds outstanding and relief loans payable to the State of California in connection with prior years' financing of relief as follows:

Sale of relief bonds.....		\$6,500,000.00
Redemptions .....		3,252,000.00
		<hr/>
Amount outstanding .....		\$3,248,000.00
Loans from State of California.....	\$2,017,261.00	
Payments .....	1,258,738.00	758,523.00
		<hr/>
Total.....		\$4,006,523.00
		<hr/>

It is the policy of the City and County to amortize the cost of such expenditures over a period of years corresponding with the period in which the bonds and loans are to be redeemed and repaid.

## State of California for relief loan.

The loans comprising the above amount are summarized as follows:

Date of Loan	Interest Rate	Original Amount	Annual Installment	Unpaid Balance June 30, 1942
Nov. 16, 1933	4¼%	\$1,000,000.00	\$100,000.00	\$500,000.00
Aug. 11, 1934	3¾%	550,709.00	55,070.90	165,212.60
April 26, 1934	4½%	466,552.00	46,655.20	93,310.40
<hr/>				
Total.....				\$758,523.00
<hr/>				

## Commitments

The detail of general City and County commitments is shown as follows:

	Original Amount	Balance June 30, 1942
Employees' retirement system.....		\$5,871,364.87
Land purchases:		
Yacht Harbor .....	\$390,707.00	\$ 288,327.66
Fleishhacker playground .....	363,986.00	232,712.26
Lafayette Park .....	200,000.00	40,000.00
Aquatic Park .....	142,500.00	66,249.99
Total.....		\$ 627,289.91
Other commitments:		
Joint Highway District No. 9.....	\$368,354.00	\$ 66,000.00
Joint Highway District No. 10.....	818,000.00	518,702.00
Judgments .....		147,154.84
Total.....		\$ 731,856.84
Total.....		\$7,230,511.62

The items of Commitments is offset by a contra liability shown under accounts payable in the proprietary balance sheets. The commitments for land purchases set forth in the foregoing paragraph were confirmed by communication with the respective creditors.

## Bonded Debt

A summary relating to bonds outstanding is presented as follows:

	Total	Public Service Enterprises	General City and County
Outstanding June 30, 1941.....	\$143,989,100.00	\$102,234,800.00	\$41,754,300.00
Sales .....	500,000.00		500,000.00
	\$144,489,100.00	\$102,234,800.00	\$42,254,300.00
Redeemed .....	8,196,300.00	4,223,500.00	3,972,800.00
Outstanding June 30, 1942.....	\$136,292,800.00	\$ 98,011,300.00	\$38,281,500.00

We checked the records in respect to bonds outstanding at June 30, 1942, and of sales and redemptions for the year. At June 30, 1942, bonds in the aggregate amount of \$3,750,000.00 had been authorized but unissued, the description of which follows:

Fire protection.....	\$2,500,000.00
Water works system.....	1,250,000.00
Total.....	\$3,750,000.00

The charter provides that the bonded debt, exclusive of (1) debt incurred for the financing of public improvements, the cost of which is assessed against private property benefited thereby, and (2) debt incurred for water supply, storage, or distribution purposes, shall not exceed 12% of the assessed value of all real and personal property subject to City and County taxes.

A summary of the assessment roll of March 3, 1942 (for the year 1942-43) follows:

Real estate and improvements and secured personal property taxable at \$4.48 per \$100.00 (1942-43 rate).....	\$ 749,366,372
Unsecured tangible personal property, taxable at \$4.396 per \$100.00 (1941-42 rate) .....	82,047,025
<b>Total tangible property.....</b>	<b>\$ 831,413,397</b>
Solvent credits, taxable at the rate of 10 cents per \$100.00.....	260,493,393
<b>Total property subject to City and County taxes.....</b>	<b><u>\$1,091,906,790</u></b>

The tax rate of 10 cents per \$100.00 on solvent credits was first applied in the fiscal year 1929-30. Prior to that year solvent credits were taxed at the same rates as tangible property. The 12% limit on bonded indebtedness was fixed by a charter amendment voted November 2, 1926. Prior to that date the limit was 15%.

Bonded debt as at July 1, 1942, subject to the 12% limit, amounted to \$41,301,200, as follows:	
Bonds not matured .....	\$136,201,200
Deduct bonded indebtedness created for water supply, storage or distribution not subject to 12% limitation.....	94,900,000
<b>Bonded debt subject to 12% limit.....</b>	<b><u>\$ 41,301,200</u></b>

#### Notes and Accounts Payable

The various amounts shown as notes and accounts payable—general City and County in the proprietary balance sheet were proved by trial balances and include encumbrances represented by contracts, purchase orders, special orders and orders for work and miscellaneous obligations. The balance of loans unpaid in the amount of \$758,523.00 and interest accrued thereon of \$104,105.93 were confirmed by communication with the State of California. The amount for Commitments is offset by a contra item of like amount among deferred charges.

## Contingent Liabilities

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. The bonds of that district, outstanding in the amount of \$34,800,000.00 are general obligations of the district and are payable (to the extent that revenues of the district may be insufficient to meet operating expenses, interest and redemption charges) from ad valorem taxes which may be levied, without limitations as to rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte Counties and portions of Napa and Mendocino Counties. The records of the district showed that the bridge operations for the past two years had resulted as follows:

	Year Ended June 30	
	1942	1941
Operating revenues .....	\$2,292,945.10	\$2,282,213.58
Operating expenses .....	468,359.94	508,729.47
	<u>\$1,824,585.16</u>	<u>\$1,773,484.11</u>
Other expenses .....	32,506.00	40,062.07
	<u>\$1,792,079.16</u>	<u>\$1,733,422.04</u>
Bond interest .....	1,519,500.00	1,519,500.00
Net income .....	<u>\$ 272,579.16</u>	<u>\$ 213,922.04</u>

### Disposition of net income:

Bond redemption fund (A).....	\$ 222,911.97	\$ 125,000.00
Reserve interest fund.....	2,493.40	3,156.84
Sinking fund .....	1,535.59	552.44
Capital fund .....		19.56
Transferred to current surplus....	45,638.20	85,193.20
	<u>\$ 272,579.16</u>	<u>\$ 213,922.04</u>

### (A) Bond maturities are as follows:

Due Annually	Total
\$ 200,000.00 July 1, 1943-1946.....	\$ 800,000.00
400,000.00 July 1, 1947-1951.....	2,000,000.00
800,000.00 July 1, 1952-1956.....	4,000,000.00
1,200,000.00 July 1, 1957-1961.....	6,000,000.00
1,600,000.00 July 1, 1962-1966.....	8,000,000.00
2,800,000.00 July 1, 1967-1971.....	14,000,000.00
Total outstanding.....	<u>\$34,800,000.00</u>

An inquiry addressed to the City Attorney concerning the possible existence of other contingent liabilities remained unanswered at the date hereof.

## FUNDS BALANCE SHEET

A reconciliation of the funds balance sheet with the proprietary balance sheet follows:

## Funds balance sheet:

Trust and assessment funds.....	\$ 32,724,722.93
Surplus .....	12,159,310.74
Total.....	<u>\$ 44,884,033.67</u>

Add proprietary assets not shown in fund balance sheet, since they do not represent fund resources:

Properties, net .....	\$387,133,304.64	
Accounts receivable, departmental accounts which are fully reserved.....	726,232.05	
Accounts receivable from City of Palo Alto, collectible over a period of years .....	156,471.04	
Revolving funds .....	76,080.00	
Deferred charges .....	13,162,146.30	401,254,234.03
Total.....		<u>\$446,138,267.70</u>

Deduct proprietary liabilities and reserves not shown in fund balance sheet, representing charges against revenues of future years:

Bonded debt unmatured..	\$136,201,200.00	
Provided for in 1941-42 budget .....	2,000,000.00	\$134,201,200.00
Bond interest accrued at June 30, 1942.....		318,456.42
Bond interest .....	\$ 2,177,808.75	
Provided for in 1941-42 budget .....	1,338,750.00	839,058.75
Commitments (excluding commitments of Public Service Enterprises).....	7,230,511.62	
Hetch Hetchy rent due July 1, 1942.....	30,000.00	
Relief loans from State of California.....	758,523.00	
Accrued interest thereon.....	104,105.93	
Reserve for departmental accounts receivable which are taken into income only when collected .....	726,232.05	
Other deferred credits.....	893,520.39	145,101,608.16

## Proprietary balance sheet:

Trust and assessment funds.....	\$ 33,056,221.42	
Surplus .....	267,980,438.12	<u>\$301,036,659.54</u>

## GENERAL

The following funds showed deficits at June 30, 1942:

Auditorium .....	\$167,930.42
Firemen's Relief and Pension.....	171,244.08
Police Relief and Pension.....	103,235.58
Total.....	<u>\$442,410.08</u>

These deficits were created prior to the adoption of the present Charter which became effective January 8, 1932, as of which date these deficits were as follows:

Auditorium .....	\$168,296.87
Firemen's Relief and Pension.....	172,387.88
Police Relief and Pension.....	103,235.58
Total.....	<u>\$443,920.33</u>

The present Charter in Section 86 sets up procedures designed to prevent the possibility of any deficit being created after the adoption of said Charter. While the foregoing deficits existed at the time the present Charter became effective, it would appear that some means should be found, if possible, to legally dispose of these existing deficits.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the Charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.
2. Payment of that portion of the authorized expenses of the City and County for any fiscal year which, as certified by the Controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The balance of the cash reserve fund at June 30, 1942, amounted to \$3,514,932.69, and was comprised of the following:

Cash .....	\$2,541,413.20
Temporary loans to other funds.....	467,000.00
Other inter-fund accounts.....	506,519.49
Total.....	<u>\$3,514,932.69</u>

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

**Surety Bonds:** We inspected the surety bonds covering the various officers of the City and County and determined that the Charter provisions had been complied with.

The cost of improvements constructed on Treasure Island, including the cost of creating said island, is shown on the balance sheet of the Public Service Enterprises at \$12,484,976.34. The source of funds utilized for this purpose and the expenditures made in connection therewith are set forth in our separate report on Treasure Island Airport. Total expenditures, as shown by that report, may be accounted for as follows:

Total shown by separate report.....	\$13,095,971.77
Less amounts carried by other departments:	
Water Department .....	\$367,515.17
Unified School District.....	162,513.26
General City and County.....	80,967.00
	<hr/>
Total carried by other departments.....	610,995.43
Total shown in Proprietary Balance Sheet of Treasure Island.....	<hr/> <u>\$12,484,976.34</u>

In the balance sheet at June 30, 1941, the amount for fixed assets of Treasure Island (Shoals Airport) was shown as \$4,308,425.96 which represented only the recorded amount of expenditures by the Federal Government and San Francisco Bay Exposition in connection with a P. W. A. project (Docket No. 1427), whereas, in the foregoing amount (\$13,095,971.77) are represented all expenditures made in connection with creating Treasure Island and constructing certain improvements thereon and in connection with certain improvements made in the City of San Francisco.

The value of Treasure Island and certain related improvements is subject to determination by the courts under condemnation proceedings instituted by the Navy Department and pending at the date of this report.

ERNST & ERNST,  
Certified Public Accountants.







**GENERAL CITY AND COUNTY CAPITAL SURPLUS**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**Year ended June 30, 1942**

Balance at June 30, 1941.....	\$185,475,047.94
Add:	
Capital additions from public trust funds.....	146,189.02
Construction costs of building and nursery transferred from public service enterprise at close of exposition.....	243,480.26
Premium on 1942 fire protection bonds.....	78.00
Transfers from current accounts:	
Bond redemptions .....	3,165,100.00
Capital additions from revenues.....	1,473,319.95
	<hr/>
	\$190,503,215.17
Deduct:	
Loss from sales of property.....	\$ 147,328.69
Charges to work in progress transferred to public service enterprise .....	4,305.46
Transfers to current accounts:	
For school bond interest and redemption.....	700,000.00
Other .....	48,183.89
	<hr/>
	\$ 899,818.04
Balance at June 30, 1942.....	<hr/> \$189,603,397.13 <hr/>

# GENERAL CITY AND COUNTY REVENUES, EXPENDITURES AND CURRENT SURPLUS

## CITY AND COUNTY OF SAN FRANCISCO

Years ended June 30, 1942 and June 30, 1941

### REVENUES

	Year Ended June 30	
	1942	1941
Properties, taxes and penalties.....	\$36,449,752.78	\$35,054,385.00
Other taxes and licenses:		
Franchise taxes .....	\$ 522,871.54	\$ 503,114.44
Business licenses .....	445,989.24	418,285.63
Professional and occupational licenses.....	39,278.50	43,338.41
Vehicle licenses .....	25,839.50	29,513.50
Non-business licenses .....	24,031.00	27,068.00
	<u>\$ 1,058,009.78</u>	<u>\$ 1,021,319.98</u>
Received through State of California.....	\$13,381,805.82	\$13,178,370.99
Other revenues:		
General City and County services.....	\$ 2,140,159.48	\$ 2,022,418.50
Contributions from Water Department.....	318,678.00	454,425.00
Fines, forfeits and penalties.....	580,211.57	539,899.57
Cash transferred from capital funds.....	748,183.89	308,905.34
Revenues from use of money and property..	24,702.11	127,657.44
	<u>\$ 3,811,935.05</u>	<u>\$ 3,453,305.85</u>
	<u>\$54,701,503.43</u>	<u>\$52,707,381.82</u>

### EXPENDITURES

General City and County expenses.....	\$41,650,845.56	\$39,995,497.68
Bond redemption .....	3,165,100.00	3,165,100.00
Bond interest .....	1,698,242.08	1,849,000.76
Other interest .....	54,597.78	60,502.11
Pensions and compensation insurance.....	2,493,028.64	2,451,517.11
Judgments and losses.....	40,616.78	84,244.92
Contributions to public service enterprises:		
Hetch Hetchy project.....	2,164,453.33	2,069,583.32
San Francisco Airport.....	368,576.37	333,590.87
Capital additions from revenues.....	1,473,319.95	1,247,743.85
Civilian Defense .....	348,154.57	
Contributions to joint highway projects.....	141,000.00	188,498.00
Miscellaneous, net .....	795,964.41	689,416.75
	<u>\$54,393,899.47</u>	<u>\$52,134,695.37</u>
Net revenues .....	\$ 307,603.96	\$ 572,686.45
Current surplus from preceding year.....	6,432,464.09	5,859,777.64
Current surplus at end of year.....	<u>\$ 6,740,068.05</u>	<u>\$ 6,432,464.09</u>

## REVENUES FROM GENERAL CITY AND COUNTY SERVICES

## CITY AND COUNTY OF SAN FRANCISCO

Years ended June 30, 1942 and June 30, 1941

	Year Ended June 30	
	1942	1941
General government:		
Municipal Courts .....	\$ 61,595.00	\$ 61,752.25
Superior Courts .....	96,696.58	87,191.65
Recorder .....	125,935.00	122,453.13
Public Administrator .....	65,126.66	60,979.67
Sheriff .....	37,909.58	30,458.40
Treasurer .....	12,868.42	12,978.22
Rent .....	11,839.22	15,368.75
Other .....	31,249.09	43,675.17
	<u>\$ 443,219.55</u>	<u>\$ 434,857.24</u>
Public safety:		
Inspections and permits .....	\$ 186,894.03	\$ 244,342.80
Department of Electricity .....	68,351.60	81,433.09
Fire Department .....	98,473.26	111,017.74
Police Department .....	1,373.13	441.82
Public Pound .....	3,053.75	2,336.00
Agricultural Commission .....	6,682.73	8,319.37
Other .....	2,136.12	17.50
	<u>\$ 366,964.62</u>	<u>\$ 447,908.32</u>
Schools and libraries:		
Schools .....	\$ 283,100.21	\$ 153,420.41
Libraries .....	24,162.13	23,981.72
	<u>\$ 307,262.34</u>	<u>\$ 177,402.13</u>
Recreation:		
Parks and playgrounds .....	\$ 532,804.04	\$ 508,790.17
Art Commission .....	45,246.72	60,153.22
Opera House .....	36,260.18	43,186.92
Coit Tower .....	9,946.65	8,054.61
Other .....	5,543.17	2,149.74
	<u>\$ 629,800.76</u>	<u>\$ 622,334.66</u>
Hospitals, charities and corrections:		
Hospitals .....	\$ 117,416.90	\$ 73,363.79
Charities .....	75,589.36	66,533.03
Corrections .....	20,482.26	23,438.84
	<u>\$ 213,488.52</u>	<u>\$ 163,335.66</u>
Other:		
Sanitation .....	\$ 56,317.65	\$ 97,819.07
Health .....	89,609.44	77,634.18
General and miscellaneous .....	33,496.60	1,127.24
	<u>\$ 179,423.69</u>	<u>\$ 176,580.49</u>
Total revenues from general City and County services .....	<u>\$2,140,159.48</u>	<u>\$2,022,418.50</u>

## GENERAL CITY AND COUNTY EXPENSES

## CITY AND COUNTY OF SAN FRANCISCO

Years ended June 30, 1942 and June 30, 1941

	Year Ended June 30	
	1942	1941
General government:		
Legislative .....	\$ 122,374.09	\$ 96,571.75
Executive .....	88,594.28	79,083.70
Judicial .....	1,030,141.62	997,807.10
Elections .....	266,479.09	274,830.83
Finance .....	978,880.92	921,310.35
Law .....	215,873.32	225,761.16
Recording and reporting .....	107,094.39	103,672.04
Administrative officers and boards .....	493,243.19	459,639.03
General government buildings .....	387,822.00	386,345.95
Community promotion, etc. ....	275,703.95	542,781.02
	<u>\$ 3,966,206.85</u>	<u>\$ 4,087,802.93</u>
Public safety:		
Police Department .....	\$ 3,596,649.47	\$ 3,542,634.48
Fire Department .....	3,507,511.18	3,537,787.62
Protective inspection .....	279,523.18	274,267.53
	<u>\$ 7,383,683.83</u>	<u>\$ 7,354,689.63</u>
Highways:		
General administration .....	\$ 32,023.16	\$ 28,960.85
Roadways .....	362,844.16	376,280.62
Street lighting .....	909,155.11	812,424.45
Bridges and viaducts .....	70,602.23	64,245.74
Maintenance of equipment .....	13,884.35	22,714.74
	<u>\$ 1,388,509.01</u>	<u>\$ 1,304,626.40</u>
Sanitation and waste removal:		
Sewers and sewage disposal .....	\$ 528,188.43	\$ 467,260.44
Street sanitation .....	652,616.94	593,691.17
Miscellaneous .....	6,736.50	5,822.05
	<u>\$ 1,187,541.87</u>	<u>\$ 1,066,773.66</u>
Health conservation:		
General administration .....	\$ 32,015.22	\$ 32,304.08
Vital statistics .....	25,950.79	19,979.56
Health regulation and inspection .....	274,031.78	263,757.69
Control of communicable diseases .....	140,655.25	107,165.69
Child health services .....	316,245.25	298,848.81
Miscellaneous .....	35,905.30	37,657.17
	<u>\$ 824,803.59</u>	<u>\$ 759,713.00</u>

## GENERAL CITY AND COUNTY EXPENSES (Continued)

	Year Ended June 30	
	1942	1941
Hospitals:		
General administration .....	\$ 92,995.64	\$ 90,886.61
General municipal hospitals.....	1,734,902.37	1,669,047.09
Special disease municipal hospitals.....	957,209.45	808,021.10
Patients in non-municipal hospitals.....	185,099.99	174,638.08
Miscellaneous.....	11,932.16	12,879.88
	<u>\$ 2,982,139.61</u>	<u>\$ 2,755,472.26</u>
Charities:		
General administration .....	\$ 9,783.38	\$ 20,163.76
Adult institutional care.....	363,929.77	308,885.40
General relief .....	2,554,591.12	2,161,221.44
Contribution to work relief projects.....	166,847.50	187,959.26
Old age assistance.....	5,472,964.78	5,494,434.25
Aid to minors and widowed mothers.....	1,062,666.00	1,177,179.32
Aid to blind.....	288,880.84	332,035.52
Miscellaneous .....	57,615.93	54,794.38
	<u>\$ 9,977,279.32</u>	<u>\$ 9,736,673.33</u>
Corrections:		
County jails .....	\$ 260,496.97	\$ 230,647.40
Juvenile detention home.....	68,300.57	45,621.46
Miscellaneous .....	36,762.13	36,997.44
	<u>\$ 365,559.67</u>	<u>\$ 313,266.30</u>
Schools and libraries:		
Schools .....	\$10,554,510.05	\$ 9,894,956.87
Libraries .....	408,827.12	391,888.11
	<u>\$10,963,337.17</u>	<u>\$10,286,844.98</u>
Recreation:		
Cultural - scientific .....	\$ 633,387.19	\$ 552,835.67
Parks and squares.....	803,495.94	717,966.21
Organized recreation .....	739,292.77	699,671.69
Auditoriums and special facilities.....	203,642.07	160,109.53
Refreshment facilities .....	201,388.98	168,018.48
Miscellaneous .....	30,577.69	31,033.61
	<u>\$ 2,611,784.64</u>	<u>\$ 2,329,635.19</u>
Total general City and County expenses.....	<u>\$41,650,845.56</u>	<u>\$39,995,497.68</u>

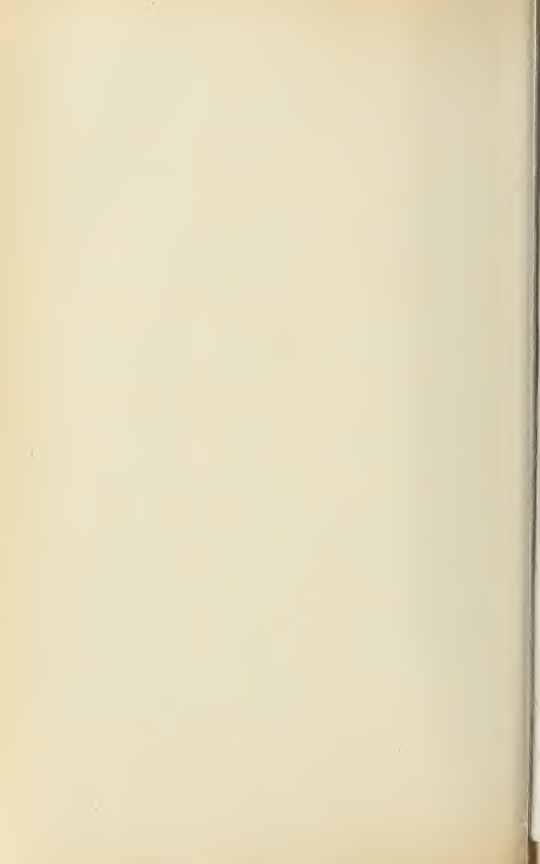




**PROPRIETARY BALANCE SHEET**  
**PUBLIC SERVICE ENTERPRISES OF**  
**CITY AND COUNTY OF SAN FRANCISCO**

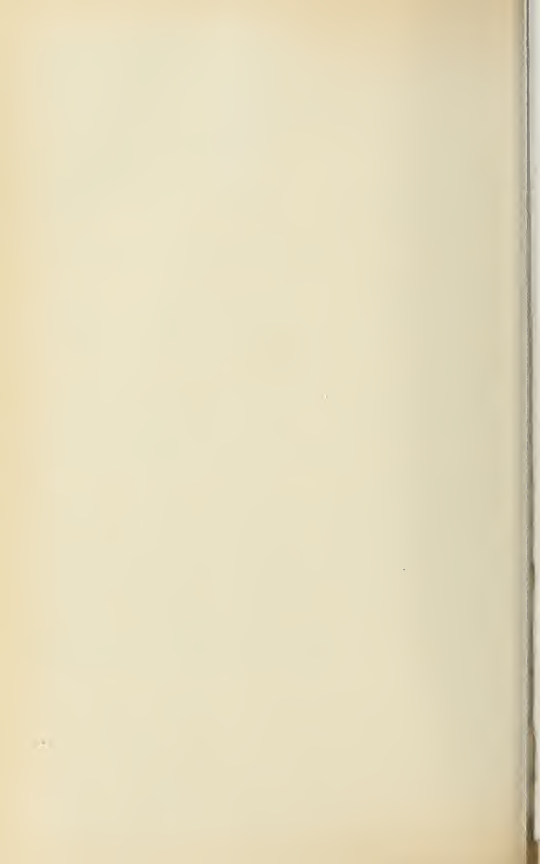
June 30, 1942

	San Francisco Airport San Mateo County, California	Treasure Island	Public Utilities Commission	Hetch Hetchy Water Supply and Power Project
<b>ASSETS</b>				
<b>Fixed capital:</b>				
In service	\$204,464,161.19	\$12,484,976.34	\$106,104,953.17	
Less reserve for depreciation	43,758,202.78		13,417,190.14	
	\$160,705,958.41	\$12,484,976.34	\$92,687,763.03	
Under construction	3,334,343.26			
	\$49,121,282.18	\$4,145,564.21		
Cash:				
On deposit with City and County Treasurer	\$ 3,125,241.38	\$ 306,084.77	\$ 4,388.13	\$ 2,516,961.82
Imprest funds and other cash	45,408.29			8,428.29
	\$ 7,888,627.83	\$ 4,388.13	\$ 4,388.13	\$ 2,525,390.11
Accounts receivable:				
Revenues accrued and other receivables	\$ 962,385.13	\$ 10,870.91		\$ 197,141.53
Less reserve for accounts doubtful of collection	38,524.49	4,400.00		
	\$ 923,860.64	\$ 6,470.91		\$ 197,141.53
Inter-fund accounts:				
Due from General City and County	\$ 68,150.33	\$ 4,688.73	\$ 33,352.74	\$ 25,521.12
Due from Public Service Enter- prises (Contra)	233,746.71		52,334.71	84,919.19
	\$ 301,897.04	\$ 4,688.73	\$ 85,687.45	\$ 110,440.31
Deferred charges:				
Materials and supplies	\$ 804,671.69	\$ 1,987.97		\$ 251,452.36
Commitments (Contra)	555,405.02	629.64		23,000.42
Other deferred items	125,794.25	2,404.54		76,922.35
	\$ 1,485,870.96	\$ 5,022.15		\$ 351,375.13
	\$174,585,966.43	\$12,489,364.47	\$231,725.08	\$ 95,872,110.11
	\$53,588,721.36	\$ 5,923,482.47		
Water Department				
\$71,902,254.60	\$10,990,070.38	\$ 2,981,906.70		
23,043,081.54	6,845,737.32	452,193.78		
\$48,859,173.06	\$ 4,144,333.06	\$ 2,529,712.92		
262,109.12	1,231.15	3,071,002.99		
\$49,121,282.18	\$ 4,145,564.21	\$ 5,600,715.91		
Municipal Railway				
\$ 1,689,914.10	\$ 306,084.77	\$ 4,388.13		
6,500.00	500.00			
\$ 1,696,414.10	\$ 306,584.77	\$ 4,388.13		
\$ 6,114.12	\$ 6,470.91			
\$ 5,923,482.47	\$ 5,923,482.47			
San Mateo County, California				
\$ 272,589.37	\$ 1,987.97			
317,614.76	629.64			
31,082.27	2,404.54			
\$ 621,286.40	\$ 5,022.15			
\$ 6,480,562.94	\$ 5,923,482.47			
Treasure Island				
\$ 3,125,241.38	\$ 306,084.77	\$ 4,388.13		
45,408.29				
\$ 7,888,627.83	\$ 4,388.13	\$ 4,388.13		
\$ 962,385.13	\$ 10,870.91			
38,524.49	4,400.00			
\$ 923,860.64	\$ 6,470.91			
Public Utilities Commission				
\$ 68,150.33	\$ 4,688.73	\$ 33,352.74		
233,746.71		52,334.71		
\$ 301,897.04	\$ 4,688.73	\$ 85,687.45		
\$ 804,671.69	\$ 1,987.97			
555,405.02	629.64			
125,794.25	2,404.54			
\$ 1,485,870.96	\$ 5,022.15			
\$174,585,966.43	\$12,489,364.47	\$231,725.08		\$ 95,872,110.11



**PROPRIETARY BALANCE SHEET**  
**PUBLIC SERVICE ENTERPRISES OF**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**June 30, 1942**

LIABILITIES		San Francisco	Alameda	San Mateo	San Francisco	Treasure Island	Public Utilities Commission	Hetch Hetchy Water Supply and Power Project
Bonded debt:	Matured and unpaid	\$ 16,300.00	\$ 3,000.00	\$ 300.00	\$ 100,000.00	\$ 285,000.00		\$ 13,000.00
	Due prior to July 1, 1943	4,173,000.00	1,563,000.00					2,225,000.00
	Maturing subsequent to June 30, 1943	93,822,000.00	34,187,000.00	1,000,000.00	1,710,000.00			56,925,000.00
		\$ 98,011,300.00	\$35,753,000.00	\$ 1,100,300.00	\$ 1,995,000.00			\$ 59,163,000.00
Bond interest:	Due July 1, 1942	\$ 1,842,530.00	\$ 652,500.00	\$ 17,780.00				\$ 1,172,250.00
	Accrued, not due	58,955.20	22,500.00	4,583.33				31,871.87
	Matured and unpaid	100,573.75	34,185.00	6,025.00				60,363.75
		\$ 2,002,058.95	\$ 709,185.00	\$ 10,608.33	\$ 17,780.00			\$ 1,264,485.62
Accounts payable:								
Contracts, purchase orders, etc.		\$ 524,708.70	\$ 172,936.08	\$ 33,721.05	\$ 106,358.27			\$ 42,989.88
For outstanding warrants		287,724.79	93,127.10	138,534.28	5,857.73			46,085.51
Commitments (Contra)		555,405.02	214,160.20	317,614.76	629,64			23,000.42
Inter-fund accounts:								
Due to general City and County		\$ 442,631.72	\$ 18,000.08	\$ 38,890.57	\$ 356,86	\$ 5,636.73	\$ 498.61	\$ 379,248.87
Due to Public Service Enterprise (Contra)		233,746.71	82,317.21	44,684.74	7,742.23			46,386.58
Other reserves		\$ 676,378.43	\$ 100,317.29	\$ 83,575.31	\$ 8,099.09	\$ 5,636.73	\$ 53,114.56	\$ 425,635.46
Deferred items		\$ 767,787.87	\$ 279,202.80	\$ 470,476.35	\$ 521.70		\$ 5,786.93	\$ 17,587.02
Surplus		\$ 71,636,972.94	\$ 16,241,040.07	\$ 4,704,119.23	\$ 3,319,281.39	\$ 12,483,206.04		\$ 34,889,326.21
		\$174,585,966.43	\$53,588,721.36	\$ 6,480,562.94	\$ 5,923,482.47	\$12,489,364.47	\$231,725.08	\$ 95,872,110.11



REVENUES, EXPENSES AND SURPLUS  
PUBLIC SERVICE ENTERPRISES OF  
CITY AND COUNTY OF SAN FRANCISCO  
Year ended June 30, 1942

## REVENUE AND EXPENSES

	Total	Water Department	Municipal Railway	San Francisco Airport	Treasure Island	Hetch Hetchy Water Supply and Power Project
Operating revenues	\$15,192,106.53	\$7,718,881.72	\$4,335,395.90	\$44,909.55	\$3,866.43	\$3,089,052.93
Operating expenses	10,030,502.27	3,835,229.50	\$4,009,261.03	154,121.13	6,642.36	2,025,248.25
Operating profit or loss*	\$5,161,604.26	\$3,883,652.22	\$326,134.87	\$109,211.58*	\$2,775.93*	\$1,063,804.68
Other revenues:						
Interest earned	\$18,802.29	\$15,958.20	\$2,844.09			
Rental	67,993.57	65,231.07				
Other	72,129.78	45,484.66	12,022.90	\$9,729.84		\$2,762.50
Total other revenues	\$158,925.64	\$126,673.93	\$14,866.99	\$9,729.84		\$7,654.88
Other expenses:						
Bond interest	\$4,387,658.55	\$1,584,383.34	\$57,083.33			\$2,746,191.88
Other	43,965.91	37,264.14				6,701.77
Total other expenses	\$4,431,624.46	\$1,621,647.48	\$57,083.33			\$2,752,893.65
Net profit or loss*	\$888,905.44	\$2,388,678.67	\$283,918.53	\$99,481.74*	\$2,775.93*	\$1,681,434.09*
SURPLUS						
Balance at June 30, 1941	\$60,294,744.75	\$14,393,341.99	\$4,398,551.47	\$3,056,829.12	\$4,308,425.96	\$34,137,596.21
Add:						
Net profit or loss* as above	888,905.44	2,388,678.67	283,918.53	99,481.74*	2,775.93*	1,681,434.09*
Contributions from general City and County				361,934.01	10,947.82	2,164,453.83
Refund of excess contributions to Public Utilities Commission over expenses for prior years	27,522.70	13,419.82	9,304.75			4,798.13
Contributions from Federal Government	4,705,491.28					
Contributions from San Francisco Bay Exposition	3,461,116.91	18,042.13	12,344.48			
Other additions	40,534.20				3,461,116.91	10,147.59
Total additions	\$71,955,650.94	\$16,813,482.61	\$4,704,119.23	\$3,319,281.39	\$12,483,206.04	\$34,635,561.67
Less:						
Contributions to general City and County	\$318,678.00	\$318,678.00				
Contributions to Public Service Enterprises						
Other deductions		253,764.54				
Total deductions	\$318,678.00	\$572,442.54				\$253,764.54*
Balance at June 30, 1942	\$71,636,972.94	\$16,241,040.07	\$4,704,119.23	\$3,319,281.39	\$12,483,206.04	\$34,889,326.21

\* Indicates red figures.





# SUMMARY OF PROPERTIES CITY AND COUNTY OF SAN FRANCISCO

June 30, 1942

General City and County:			
General government:			
City Center, including City Hall			
Public safety:	12,435,416.23	633,855.46	8,673,724.84
Fire Department	3,459,162.00	758,941.10	1,964,687.62
Police Department	874,276.24	44,000.00	723,953.40
Department of Electricity			
Highways:			
Streets, tunnels, bridges, etc.	62,649,419.27	7,265,980.07	55,383,402.70
Asphalt plant	248,735.59		80,000.00
Sanitation:			
Sewers	21,680,394.27	85,772.60	21,506,768.99
Street Cleaning Department	311,567.81		65,142.60
Garbage incinerators	130,142.60	65,000.00	
Health conservation:			
Hassler Health Home	1,239,805.87	29,442.00	1,110,985.67
Civic Center Health Building	1,148,610.73	158,588.49	908,008.41
Excelsior Health Center	85,386.04	14,637.50	66,618.18
Other	286,985.62	145,940.00	14,268.80
Hospitals:			
San Francisco Hospital	6,390,707.77	694,556.97	4,928,143.59
Emergency Hospital	241,007.40	10,999.70	82,969.15
Charities:			
Laguna Honda Home	5,045,629.01	30,000.00	4,444,584.51
San Francisco Welfare Building	10,020.23		
Corrections:			
County Jail	851,044.11	38,156.52	800,255.01
Juvenile Detention Home	251,220.31	10,310.00	209,933.99
Schools	51,563,243.30	9,779,766.01	37,850,912.12
Libraries	3,467,300.28	392,710.00	1,297,472.63
Recreation:			
Museums, Art Galleries, etc.	1,283,048.56	463,187.20	1,077,535.62
War Memorial and Opera House	5,406,900.19	19,947,712.56	4,789,521.96
Parks and squares	25,460,798.05	3,140,764.93	5,163,391.41
Swimming pool and playgrounds	5,381,102.44	393,089.88	2,075,163.71
Golf Links	784,116.55	97,008.80	687,107.75
Kezar Stadium	2,300,199.32	701,437.00	1,526,712.98
Auditorium	287,594.66	163,843.17	115,270.04
Miscellaneous	374,248.51	218,874.76	104,842.36
Central warehouse and corporation yard			
Work in progress	\$222,992,340.51	\$47,127,439.47	\$160,140,341.42
Total general City and County	\$223,093,002.97		
Public Service Enterprises	\$207,798,504.45		
Less reserve for depreciation	43,758,202.78		
	164,040,301.67		
Total properties	\$387,133,304.64		
Buildings and Structures			
Improvements	4,095,873.50		
Equipment	\$2,619,339.54		
Land			
Total	\$8,951,167.67	\$2,235,954.63	





**BONDED INDEBTEDNESS**  
**CITY AND COUNTY OF SAN FRANCISCO**

Year ended June 30, 1942

**General City and County:**

	Outstanding June 30, 1941	Redeemed Sold*	Outstanding June 30, 1942
<b>School:</b>			
March 1, 1918, 4½ %.....	\$ 259,000	\$ 254,000	\$ 5,000
March 1, 1923, 5 %.....	7,965,000	458,000	7,507,000
January 1, 1934, 3 %.....	900,000	300,000	600,000
December 1, 1938, 1¼ % to 2 %.....	2,240,000	280,000	1,960,000
<b>Parks and playgrounds:</b>			
Golden Gate Park and Presidio Extension, June 30, 1904, 3½ %	32,800	8,900	23,900
Mission Park, June 30, 1904, 3½ %	26,200	4,300	21,900
Parks and Squares, February 1, 1931, 4½ %.....	1,064,000	56,000	1,008,000
Playgrounds, June 30, 1904, 3½ %..	68,000	21,500	46,500
Playgrounds, February 1, 1931, 4½ %.....	152,000	8,000	144,000
<b>Boulevards and roads:</b>			
Bernal Cut, July 1, 1927, 4½ %.....	770,000	70,000	700,000
Boulevard, Nov. 1, 1927, 4½ %.....	5,164,000	474,000	4,690,000
Boulevards and Roads, Feb. 1, 1931, 4½ %.....	684,000	36,000	648,000
<b>Sewers:</b>			
July 1, 1908, 5 %.....	1,400,000	100,000	1,300,000
January 1, 1929, 4½ %.....	1,400,000	100,000	1,300,000
December 1, 1933, 4 %.....	1,834,000	81,000	1,753,000
<b>Fire Protection:</b>			
High pressure system, December 1, 1933, 3 %.....	1,300,000	100,000	1,200,000
Fire protection, July 1, 1908, 5 %....	1,950,000	130,000	1,820,000
Fire protection June 10, 1942, ½ %.....	.....	500,000*	500,000
<b>Hospitals:</b>			
January 1, 1929, 4½ %.....	2,100,000	175,000	1,925,000
January 1, 1938, 1¼ % to 2 %.....	1,120,000	160,000	960,000
<b>Relief Bonds:</b>			
September 1, 1932, 4 % to 5 %.....	3,790,000	542,000	3,248,000
Relief Home, March 1, 1923, 5 %....	625,000	125,000	500,000
<b>Miscellaneous:</b>			
Library, June 30, 1904, 3½ %.....	153,300	34,100	119,200
Memorial Halls, July 1, 1927, 4½ %	2,200,000	200,000	2,000,000
County Jail, January 1, 1931, 4½ %	550,000	50,000	500,000
Exposition, May 1, 1912, 5 %.....	5,000	5,000	.....
City Hall and Civic Center, July 1, 1912, 5 %.....	4,002,000	200,000	3,802,000
<b>Total general City and County..</b>	<b>\$ 41,754,300</b>	<b>\$3,472,800</b>	<b>\$ 38,281,500</b>
<b>Public Service Enterprises:</b>			
As shown by schedule.....	102,234,800	4,223,500	98,011,300
<b>Total Bonded Indebtedness.....</b>	<b>\$143,989,100</b>	<b>\$7,696,300</b>	<b>\$136,292,800</b>

\* Indicates red figures.

BONDED INDEBTEDNESS — PUBLIC SERVICE ENTERPRISES  
CITY AND COUNTY OF SAN FRANCISCO

Year ended June 30, 1942

Hetch Hetchy Water Supply and Power Project:	Outstanding June 30, 1941	Redeemed	Outstanding June 30, 1942
July 1, 1910, 4½% .....	\$ 24,000,000	\$1,000,000	\$23,000,000
January 1, 1925, 5% .....	7,000,000	247,000	6,753,000
July 1, 1928, 4½% .....	22,200,000	600,000	21,600,000
June 1, 1932, 2¾% to 5¾% .....	5,955,000	245,000	5,710,000
December 1, 1933, 4% .....	2,275,000	175,000	2,100,000
	<u>\$ 61,430,000</u>	<u>\$2,267,000</u>	<u>\$59,163,000</u>
Water Department:			
Spring Valley Water, July 1, 1928, 4½% .....	\$ 30,008,000	\$1,005,000	\$29,003,000
Water Distribution, Dec. 1, 1933, 4% .....	7,313,000	563,000	6,750,000
	<u>\$ 37,321,000</u>	<u>\$1,568,000</u>	<u>\$35,753,000</u>
Municipal Railway:			
December 1, 1913, 5% .....	\$ 1,203,800	\$ 103,500	\$ 1,100,300
San Francisco Airport:			
January 1, 1938, 1½% to 2% .....	\$ 2,280,000	\$ 285,000	\$ 1,995,000
Total bonded indebtedness of Public Service Enterprises.....	<u>\$102,234,800</u>	<u>\$4,223,500</u>	<u>\$98,011,300</u>

Public Service Enterprises

Municipal San Francisco  
Railway Airport





SUMMARY OF FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO

June 30, 1942

LIABILITIES

Bonds and bond interest due July 1, 1942:

Bonds \$ 3,300,000.00

Bond interest 2,177,808.75

Less bonds and bond interest due July 1, 1942 including in 1942-1943 bud- 2,189,058.75

Balance in 1941-1942 budget \$ 3,338,750.00

Contracts, purchase orders, etc. \$1,047,786.86

Reserve for unsold bonds \$ 3,750,000.00

Other reserves \$ 43,136.54

Trust and assessments funds \$32,724,722.93

Inter-fund accounts (Contra) \$1,635,793.57

Deferred credits: Taxes collected for the year 1942-1943 \$ 1,886,172.44

Other deferred items 15,003.56

Fund balances: Unencumbered appropriations \$ 5,147,012.94

Unappropriated balances 3,497,365.11

Cash reserve 3,514,932.69

\$12,159,310.74 \$3,399,368.33

\$9,436,701.82 \$53,475,156.46

\$62,911,858.28 \$15,861,523.73

\$4,525,481.82 \$33,088,150.91

\$3,750,000.00 \$ 85,138.03

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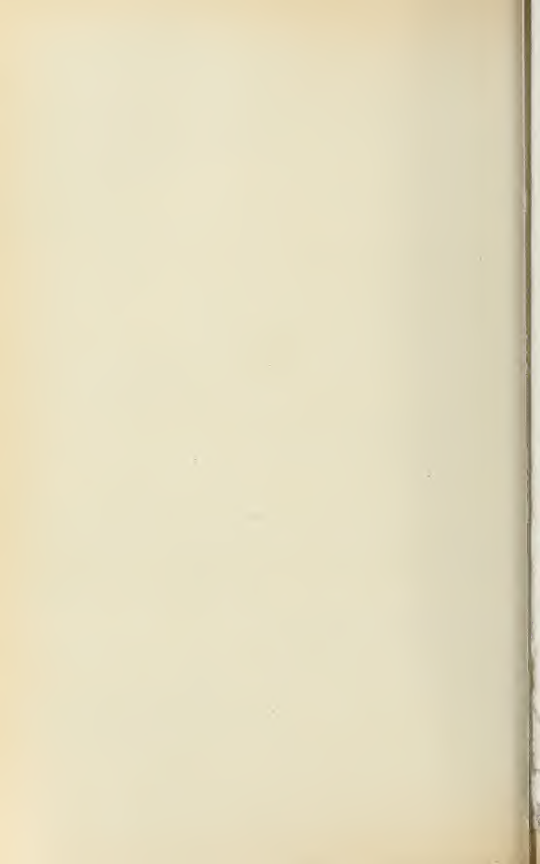
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**CURRENT FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO**

June 30, 1942

**LIABILITIES AND FUND BALANCES**

NAME OF FUND										FUND BALANCES									
RESERVES																			
Total	Encumbrances	Delinquent Taxes and Penalties	Other	Inter-fund Accounts	Deferred Credits	Unencumbered	Unappropriated	Cash Reserve Fund	NAME OF FUND	Total	Encumbrances	Delinquent Taxes and Penalties	Other	Inter-fund Accounts	Deferred Credits	Unencumbered	Unappropriated	Cash Reserve Fund	NAME OF FUND
\$1,073,553.47	\$56,971.00	\$39,000.00	\$1,012,882.99	\$234,165.70	\$348,347.88	\$866,877.28			General fund 1942-1943	\$866,877.28									General fund 1942-1943
2,833,929.81			2,833,929.81			1,309,074.02			General fund 1941-1942	2,833,929.81									General fund 1941-1942
868,247.56	4,621.82	410,536.91	2,962.11	449,530.37	596.35				General fund, prior years	868,247.56									General fund, prior years
290,132.90	149,991.24	19,629.42	66.77	82,218.47	2,500.00				Park	290,132.90									Park
204,529.89	16,537.64	11,845.23	97.73	100,798.71	145.00				Recreation	204,529.89									Recreation
60,701.36	21,556.86	8,162.76		30,981.74					Library	60,701.36									Library
12,899.57	290.08	1,141.81		7,618.60					War Memorial	12,899.57									War Memorial
8,505.61	3,467.90	1,616.41		3,421.30					California Palace Legion of Honor	8,505.61									California Palace Legion of Honor
12,755.51	5,350.84	1,736.52	4.00	4,347.03					de Young Museum	12,755.51									de Young Museum
89,596.52	38,670.65	5,327.82		43,001.38					Publicity and advertising	89,596.52									Publicity and advertising
328,085.73				90,000.00					Bond interest and redemption	328,085.73									Bond interest and redemption
52,643.24		134,979.21							Special election	52,643.24									Special election
1,243,429.34	97,044.07			96,017.47					Special road improvement	1,243,429.34									Special road improvement
1,930.03	32.70								Department of Electricity (installation)	1,930.03									Department of Electricity (installation)
6,758.45	4,107.56								Tax judgments	6,758.45									Tax judgments
1,560,821.44	406,613.62	148,907.51	11.54	246,457.26					San Francisco Unified School District	1,560,821.44									San Francisco Unified School District
225,409.94	32,402.89	54,789.53		116,512.38					Employees' retirement, current	225,409.94									Employees' retirement, current
1,483,583.33	99,138.60			76,326.75					Special gas tax street improvement	1,483,583.33									Special gas tax street improvement
4,381,809.97				866,877.28					Cash reserve	4,381,809.97									Cash reserve
309,385.09	162,984.23			52,149.92					Emergency reserve	309,385.09									Emergency reserve
13,981.66				13,764.26					Tax anticipation note interest	13,981.66									Tax anticipation note interest
12,665.17									Embarcadero widening	12,665.17									Embarcadero widening
359.14									Fire department building	359.14									Fire department building
335,000.00									Alcoholic beverage license subsidy	335,000.00									Alcoholic beverage license subsidy
44,150.00									Tuberculosis aid subsidy	44,150.00									Tuberculosis aid subsidy
167,930.42									Auditorium	167,930.42									Auditorium
171,096.00									Firemen's relief and pension	171,096.00									Firemen's relief and pension
103,235.58									Police relief and pension	103,235.58									Police relief and pension
283.79									Golden Gate Bridge & Highway District	283.79									Golden Gate Bridge & Highway District
109,882.36									Unapportioned Funds:										Unapportioned Funds:
									Secured delinquent tax installments collected*										Secured delinquent tax installments collected*
									Assessor's personal property taxes										Assessor's personal property taxes
									Tax Collector's taxes (unidentified collections)										Tax Collector's taxes (unidentified collections)
									Unapportioned bank interest										Unapportioned bank interest
\$16,699,640.28	\$2,079,853.72	\$838,116.55	\$42,142.15	\$3,616,572.68	\$2,124,070.13	\$2,034,767.49	\$2,449,184.87	\$3,514,932.69	Total General City and County	\$16,699,640.28	\$2,079,853.72	\$838,116.55	\$42,142.15	\$3,616,572.68	\$2,124,070.13	\$2,034,767.49	\$2,449,184.87	\$3,514,932.69	
\$1,619,303.73	\$1,453,179.00	\$4,230,157.42	\$16,699,640.28							\$1,619,303.73	\$1,453,179.00	\$4,230,157.42	\$16,699,640.28						
\$9,397,000.13	\$1,086.99	6,170.52	1,886,172.44	109,882.36						\$9,397,000.13	\$1,086.99	6,170.52	1,886,172.44	109,882.36					

\* Indicates credit balance.





CAPITAL FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO  
June 30, 1942

RESOURCES				Name of Fund				LIABILITIES AND FUND BALANCES			
Available Cash	Unsold Bonds	Other Available Resources	Total	GENERAL CITY AND COUNTY		Total	Encum- brances	RESERVES	Inter-fund Accounts	Unencum- bered	FUND BALANCES
\$ 2,829.63			\$ 2,829.63	1927 Bernal Cut	Bond Fund	\$ 2,829.63	\$2,110.10		\$ 436.80	\$ 204.38	\$ 78.35
141,540.86			141,540.86	1927 Boulevards	Bond Fund	141,540.86	25.00		750.00	106,728.80	34,037.06
7,985.35			7,985.35	1929 Hospitals	Bond Fund	7,985.35					7,985.35
1,971.38			1,971.38	1929 Sewers	Bond Fund	1,971.38			1,350.00	621.38	
2,159.58			2,159.58	1931 Parks and squares	Bond Fund	2,159.58					2,159.58
68.59			68.59	1933 High pressure system	Bond Fund	68.59					68.59
22,366.41			22,366.41	1933 Sewers	Bond Fund	22,366.41	488.10			17,923.23	3,955.08
7,381.62			7,381.62	1938 Hospitals	Bond Fund	7,381.62	1,715.96			5,576.58	89.08
154.05			154.05	1938 Schools	Bond Fund	154.05					154.05
2,000.00	\$2,500,000.00	\$500,078.00	3,002,078.00	1942 Fire Protection	Bond Fund	3,002,078.00			2,000.00	500,000.00	78.00
	1,250,000.00		1,250,000.00	1942 Water works system	Bond Fund	1,250,000.00					
1,219.14			1,219.14	P.W.A. Docket 1578 Schools		1,219.14				1,219.14	
85,727.21			85,727.21	General City Land Purchase		85,727.21	548.50		5,000.00	1,151.57	79,027.14
\$275,403.82	\$3,750,000.00	\$500,078.00	\$4,525,481.82	Total		\$4,525,481.82	\$4,887.66		\$9,536.80	\$633,425.08	\$127,632.28



June 30, 1942

## LIABILITIES AND FUND BALANCES

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TRUST AND ASSESSMENT FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO

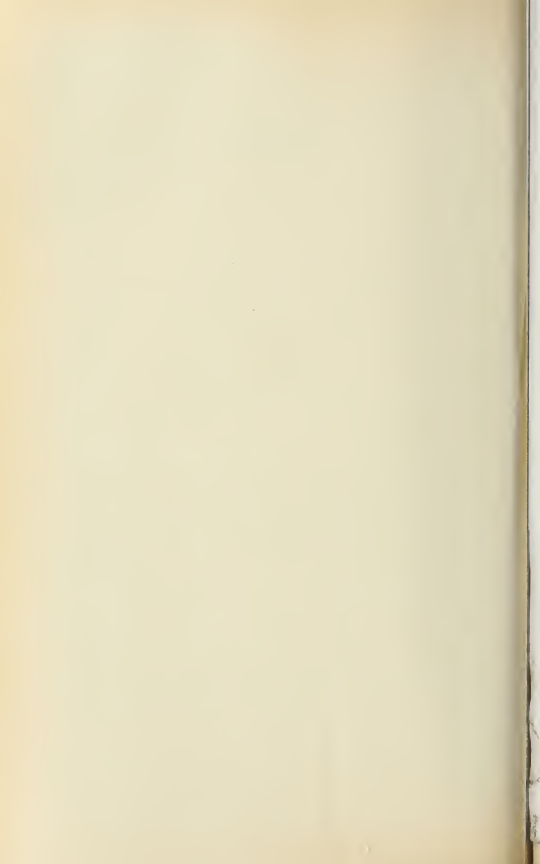
June 30, 1942

LIABILITIES AND FUND BALANCES

NAME OF FUND

RESERVES

RESOURCES					NAME OF FUND					LIABILITIES AND FUND BALANCES				
Available Cash	Investments	Other Available Resources	Inter-fund Accounts	Total	Public Trusts:	Employees' retirement system	Encum- brances	Other	Inter-fund Accounts	Deferred Credits	Unapplied Balances			
\$ 207,759.95	\$30,717,013.97	\$442,460.44	\$84,156.12	\$31,451,390.48	Bequests:		\$2,588.46		\$ 2,945.00	\$2,072.99	\$31,443,784.03			
11,947.70				11,947.70	Brayton						11,947.70			
1,083.54	94.25			1,177.79	Brunetti						1,177.79			
175.43				175.43	Fallon						175.43			
26,581.52	188,702.10			215,283.62	Fuhrman						215,283.62			
2,596.29	5,379.01	112.50		8,087.80	Herzstein						8,087.80			
1,000.00				1,000.00	Bender						1,000.00			
7,314.64	2,072.86	45.00		9,432.50	Marx						9,432.50			
11,756.52				11,756.52	McLaren			\$750.00			11,006.52			
3,300.45		2,778.83		6,079.28	McLean						6,079.28			
427.50	978.75	22.50		1,428.75	Olsen						1,428.75			
750.20				750.20	Phelan, California Palace of the Legion of Honor						750.20			
4,400.78				4,400.78	Phelan, Library		87.55				4,313.23			
11,860.19	42,000.00	840.00		54,700.19	Robinson						54,700.19			
273.17	9,447.70	187.50		9,908.37	Sharp						9,908.37			
80,339.85	86,713.25	399.17		167,452.27	Strybing		3,652.81	.18			163,799.28			
6,662.83	15,946.95	450.00		23,059.78	Windell		179.85				22,879.93			
1,222.76				1,222.76	de Young Museum, French painting exhibit.				1,222.76					
4,120.00				4,120.00	Infantile Paralysis						4,120.00			
127.60	15,445.00	145.62		15,718.22	P. P. I. E. Trust.						15,718.22			
474,187.48				474,187.48	State Highway		11,609.30		332,194.85		130,383.33			
244.39				244.39	P. W. A. Exposition Shoals			244.39						
245.02				245.02	War Memorial						245.02			
\$ 858,377.81	\$31,083,793.84	\$447,441.56	\$84,156.12	\$32,473,769.33	Total public trusts		\$18,117.97	\$994.39	\$336,362.79	\$2,072.99	\$32,116,221.19			



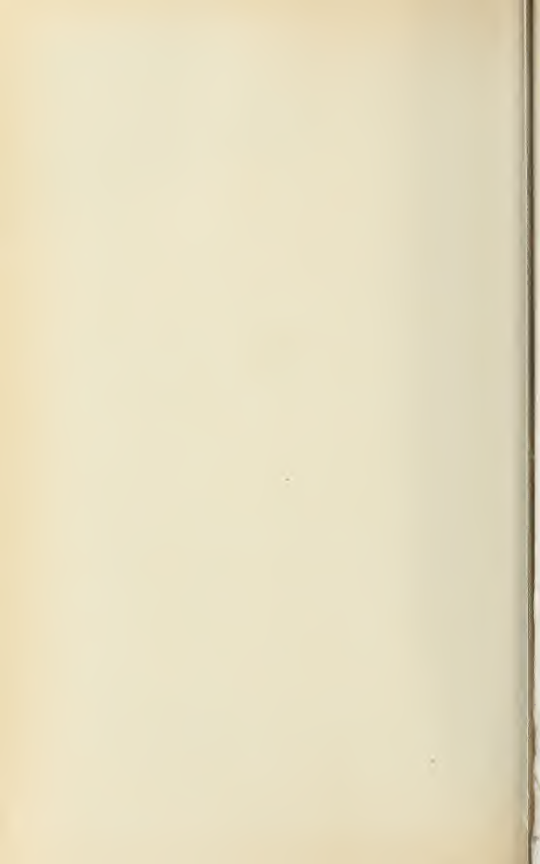


TRUST AND ASSESSMENT FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO

June 30, 1942

LIABILITIES AND FUND BALANCES

RESOURCES												NAME OF FUND											
Available Cash	Investments	Other Available Resources	Inter-fund Accounts	Total	Assessment and Redemption Funds:	Total	Encumbrances	Other	Inter-fund Accounts	Deferred Credits	Unapplied Balances	Available Cash	Investments	Other Available Resources	Inter-fund Accounts	Total	Assessment and Redemption Funds:	Total	Encumbrances	Other	Inter-fund Accounts	Deferred Credits	Unapplied Balances
\$ 937.77				937.77	City lands assessment.....	\$ 937.77					\$ 937.77					937.77	City lands assessment.....	\$ 937.77					\$ 937.77
3,568.76				3,568.76	City lands redemption.....	3,568.76					3,568.76					3,568.76	City lands redemption.....						3,568.76
1,302.30				1,302.30	Circular Avenue assessment.....	1,302.30					1,302.30					1,302.30	Circular Avenue assessment.....						1,302.30
4,233.19				4,233.19	Circular Avenue redemption.....	4,233.19					4,233.19					4,233.19	Circular Avenue redemption.....						4,233.19
461.36				461.36	Virginia Avenue assessment.....	461.36					461.36					461.36	Virginia Avenue assessment.....						461.36
1,553.34				1,553.34	Virginia Avenue redemption.....	1,553.34					1,553.34					1,553.34	Virginia Avenue redemption.....						1,553.34
63.75				63.75	Saturn Street redemption.....	63.75					63.75					63.75	Saturn Street redemption.....						63.75
		\$ 592.44		592.44	Sunset Tunnel assessment.....	592.44			\$ 209.39		383.05					592.44	Sunset Tunnel assessment.....				\$ 209.39		383.05
141.69				141.69	Oakwood Street assessment.....	141.69					141.69					141.69	Oakwood Street assessment.....						141.69
				8.74	Twin Peaks Tunnel assessment.....	8.74					8.74					8.74	Twin Peaks Tunnel assessment.....						8.74
\$ 12,262.16	\$	\$ 601.18	\$	12,863.34	Total Assessment and Redemption Funds.....	\$ 12,863.34	\$	\$	\$ 209.39	\$	12,653.95	\$				12,863.34	Total Assessment and Redemption Funds.....	\$ 12,863.34	\$	\$	\$ 209.39	\$	12,653.95
Agency Funds:																							
88.41		\$ 69.10		157.51	Golden Gate Bridge and Highway District.....	157.51					157.51	\$				157.51	Golden Gate Bridge and Highway District.....					\$	157.51
135.36				135.36	Islais Creek Reclamation District assessment.....	135.36					135.36					135.36	Islais Creek Reclamation District assessment.....						135.36
71,742.06				71,742.06	Islais Creek Reclamation District general.....	71,742.06					71,742.06					71,742.06	Islais Creek Reclamation District general.....						71,742.06
28,085.20				28,085.20	Islais Creek Reclamation District interest.....	28,085.20					28,085.20					28,085.20	Islais Creek Reclamation District interest.....						28,085.20
2,586.00				2,586.00	Law Library.....	2,586.00					2,586.00					2,586.00	Law Library.....						2,586.00
2,082.25				2,082.25	State of California, fines and forfeitures.....	2,082.25	\$ 740.00				1,342.25					2,082.25	State of California, fines and forfeitures.....						1,342.25
536.32		366.26		902.58	State of California sales tax.....	902.58					902.58					902.58	State of California sales tax.....						902.58
		337.16		337.16	State of California use tax.....	337.16					337.16					337.16	State of California use tax.....						337.16
51,313.97				51,313.97	State of California Inheritance taxes.....	51,313.97	995.53				50,318.44					51,313.97	State of California Inheritance taxes.....						50,318.44
162.70				162.70	Teachers' annuity deposits.....	162.70					162.70					162.70	Teachers' annuity deposits.....						162.70
6,620.10				6,620.10	Teachers' retirement (permanent).....	6,620.10					6,620.10					6,620.10	Teachers' retirement (permanent).....						6,620.10
2,459.03				2,459.03	State fund, County Fair.....	2,459.03					2,459.03					2,459.03	State fund, County Fair.....						2,459.03
\$ 165,811.40	\$	\$ 772.52	\$	166,583.92	Total Agency Funds.....	\$ 166,583.92	\$ 1,735.53	\$	\$	\$	164,848.39	\$				166,583.92	Total Agency Funds.....	\$ 166,583.92	\$ 1,735.53	\$	\$	\$	164,848.39
\$1,461,370.05				\$33,088,150.91	Total Trust and Assessment Funds.....	\$33,088,150.91	\$21,693.54	\$994.39	\$338,247.04	\$2,493.01	\$32,724,722.93					\$33,088,150.91	Total Trust and Assessment Funds.....						\$32,724,722.93

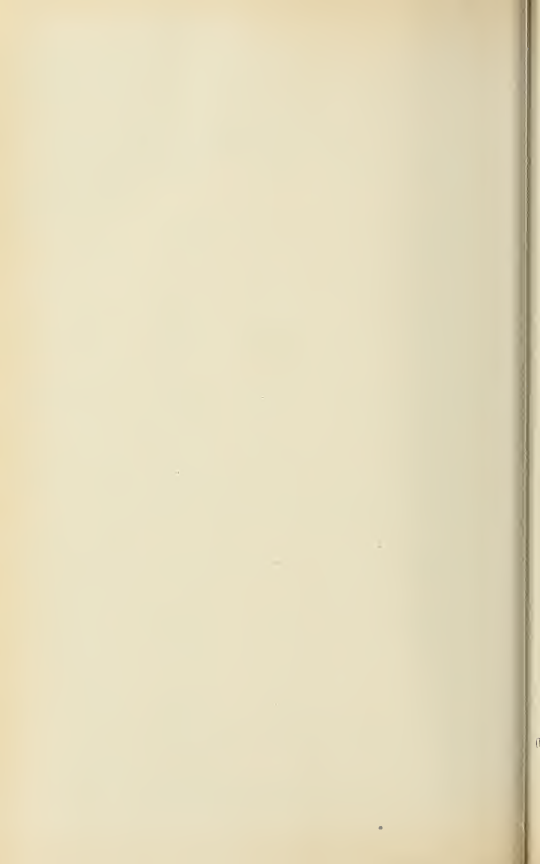




PUBLIC SERVICE ENTERPRISES OF THE  
CITY AND COUNTY OF SAN FRANCISCO

Total	Accounts Payable	Inter-fund Accounts	Deferred Credits	Unappropriated Balances	Unencumbered Appropriations
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# **Treasurer's Office**

## **Report on Examination of Accounts**

**For the Fiscal Year Ended June 30, 1942**

(Wherever italic figures appear in this Report, they indicate red figures)

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## CITY AND COUNTY OF SAN FRANCISCO

## Office of the Controller

TREASURER'S OFFICE  
REPORT ON EXAMINATION OF ACCOUNTS

For the Fiscal Year Ended June 30, 1942

September 15, 1942

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

## TREASURER'S OFFICE

Report of Annual Audit—June 30, 1942

Dear Sir:

In accordance with your instructions and pursuant to the provisions of Charter Section 66, an audit was made of the Treasurer's office for the fiscal year ended June 30, 1942, as hereinafter reported. As directed by you, two reports have been prepared of this audit, as follows:

- (1) One report for publication in the Controller's Annual Report for the fiscal year ending June 30, 1942, the text of which follows.
- (2) One report substantially identical with the above, supplemented by ten detailed schedules and an appendix containing a digest of changes in laws affecting the Treasurer. This report was distributed to City Officials, the Grand Jury, the press and to the certified public accounting firms engaged this year by the City and County of San Francisco.

## Scope of Audit

The scope of the audit covered an examination of accounts of money received and disbursed by the Treasurer during the fiscal year. In view of the existing method of internal check maintained in the Treasurer's office, and the method of internal check and continuous audit of receipts and disbursements maintained by the Controller's office which has as a basis a separate independent examination, a detailed audit of receipts and disbursements during the period was not included within the scope of this examination.

Cash on hand was verified June 30, 1942, by actual count. Cash in banks was reconciled with the Treasurer's records and confirmed direct to this office by the several depositaries.

Securities and other assets in the Treasurer's custody on June 30, 1942, were verified by examination as hereinafter reported.

Revenues and expenditures in connection with the operation of the Treasurer's office during the fiscal year were verified and confirmed against the Controller's records.

Mr. David F. Supple, Consultant to the Grand Jury, participated in this examination.

## Summary

A resume of transactions during the fiscal years 1940-1941 and 1941-1942 as reflected by the audit, is as follows.

	1941-1942	1940-1941
Cash on hand, June 30.....	\$ 20,714,044.05	\$ 20,078,260.71
Cash received during the fiscal year.....	83,356,914.44	82,486,108.99
Cash disbursed during the fiscal year.....	82,721,131.10	81,788,702.93
Total cash handled.....	166,078,045.54	164,274,811.92
Interfund and departmental accounts.....	125,208,829.18	110,747,587.22
Interest earned on inactive deposits.....	32,529.36	41,437.62
Tax Anticipation notes sold and redeemed....	8,000,000.00	7,000,000.00
Inheritance tax collections.....	1,095,247.59	1,666,958.41
Commissions and fees earned for the collection of inheritance tax.....	12,867.92	12,979.72

The collection of inheritance tax is a State function; the commission and fees earned are deposited to the credit of the general fund of the city and county.

### Deposit in Banks

Money on hand with the Treasurer available for deposit June 30, 1942 was allotted to banks in amounts as follows:

American Trust Company.....	\$ 973,988.85	4.9%
Anglo California National Bank.....	2,809,783.32	14.1%
Bank of America N. T. & S. A.....	15,917,771.83	79.8%
Wells Fargo Bank & Union Trust Co.....	95,613.55	.5%
Bank of Canton.....	150,000.00	.7%
Total.....	<u>\$ 19,947,157.55</u>	<u>100.0%</u>

Charter Section 82 reads in part as follows:

"... no deposit in any bank shall exceed ten per cent of the funds under control of the Treasurer available for deposit."

However, in view of a conflict between Federal and State laws relative to the deposit of public funds in the hands of County Treasurer, the Board of Supervisors, by Resolution No. 3469, dated August 16, 1937, authorized the Treasurer to determine the amount of municipal funds which shall be deposited in various banks in the State of California in active as well as inactive accounts.

### Fiscal Agent

Bill No. 1233, Ordinance No. 1184, passed by the Board of Supervisors May 20, 1941, effective July 1, 1941, repealed Ordinance No. 9102 and provided a new procedure for the payment of matured bonds and coupons of the City and County of San Francisco in the City of New York by the National City Bank of New York.

Under the new procedure, deposit of City and County Funds with the fiscal agent is no longer required. In lieu thereof, the fiscal agent is compensated for services rendered at rates prescribed in the ordinance.

### U. S. War Savings Bonds

Upon the joint recommendation of the Mayor and the Treasurer, the Board of Supervisors by Resolution No. 2666, adopted June 1, 1942, authorized the purchase by City and County employees of U. S. War Savings Bonds under a payroll allotment plan.

Voluntary subscriptions deducted from payrolls or received in cash are deposited by the Revenue Division of the Controller's office with the Treasurer to the credit of a "Defense Bond Payroll Allotment Fund." Upon completion of payments, bonds are delivered or mailed to the subscriber. A summary of transactions for the month of June, 1942, the first month of operation under the plan, is reflected as follows:

Maturity value of United States War Savings Bonds—Series "E" received from the Federal Reserve Bank, Receipts No. 44295 and 44053, dated June 11 and 26, 1942.....	\$ 25,550.00
Calls under the Payroll Allotment Plan during the month of June 1942 .....	<u>12,800.00</u>
Unregistered Bonds on Hand with the Treasurer—June 30, 1942.....	<u>\$ 12,750.00</u>

### Disposition of Converted Registered City and County Bonds

In the absence of specific statutory authority covering the disposition of converted registered bonds, the Treasurer has initiated the proposal to provide by statute specific authority and procedure for the disposition of registered bonds after conversion to coupon bonds. This proposal in principle is obviously a practical one and it is hereby respectfully recommended for the Controller's approval. It is suggested further that provisions be made likewise for the disposition of mutilated bonds and coupons that have been reissued.

## Revenues and Expenditures

Revenues and expenditures of the Treasurer's office for the fiscal year under review are compared with preceding fiscal year as follows:

	1941-1942	1940-1941
Revenues .....	\$ 45,417.83	\$ 54,417.34
Expenditures .....	58,468.52	56,877.69
Expenditures in excess of revenues.....	<u>\$ 13,050.69</u>	<u>\$ 2,460.35</u>

The decline in revenue is principally due to decrease in interest earned on funds deposited in inactive accounts.

The interest rate of 1% per annum on inactive deposits in effect for the fiscal year 1940-1941 was reduced to one-half of 1% during the fiscal year 1941-1942 by amendment to Act 2834a (Public Deposit Act), effective May 24, 1941.

The Treasurer's office is the depository of funds of the Islais Creek Reclamation District. An audit of the records pertaining to the Islais Creek Reclamation District and the several bequest and trust funds as such were not included within the scope of this assignment.

The records maintained in the Treasurer's office appear to be in excellent condition. All information desired was made available through the courtesy and cooperation of the Treasurer's staff during the course of the audit.

Cash and securities for which the Treasurer was accountable and for which he accounted as at June 30, 1942, and June 30, 1941, are summarized as follows:

### SUMMARY OF CASH AND SECURITIES IN CUSTODY

CASH	June 30, 1942	June 30, 1941
Cash on hand.....	\$ 250,065.75	\$ 246,976.10
Bank Balances .....	19,947,157.55	18,480,316.89
Fiscal Agent—New York.....		122,926.25
Available Cash .....	\$ 20,197,223.30	\$ 18,850,219.24
Other Cash Items.....	283,595.75	943,652.25
Cash received after June 30, applied to prior year .....	233,225.00	284,389.22
<b>TOTAL CASH</b> .....	<u>\$ 20,714,044.05</u>	<u>\$ 20,078,260.71</u>
<b>SECURITIES (Par Values)</b>		
Collateral on Bank Balances.....	\$ 23,566,000.00	\$ 23,282,000.00
Employees' Retirement Fund Bonds.....	27,937,662.50	25,945,175.00
Bequest Fund Securities.....	100,000.00	102,000.00
Trust Fund Securities.....	15,000.00	15,000.00
Deposit on Lease.....	100,000.00	
Employees' Payroll Allotment Plan.....	12,750.00	
<b>TOTAL SECURITIES</b> .....	<u>\$ 51,731,412.50</u>	<u>\$ 49,344,175.00</u>
<b>TOTAL CASH AND SECURITIES</b> .....	<u>\$ 72,445,456.55</u>	<u>\$ 69,422,435.71</u>

## I. AUTHORITY

The Treasurer's office is conducted under the provisions of the Federal Reserve Act of 1935, as amended, effective August 23, 1937; the provisions of the laws of the State of California, the City and County charter, and ordinances and resolutions of the Board of Supervisors.

Laws governing the operation of the Treasurer's office are outlined in previous annual audit reports. Changes and additions thereto during the fiscal year 1941-1942 are included in the appendix of the report with schedules filed concurrently with this report.

## II. CASH—\$20,714,044.05

Cash was certified at the close of business June 30, 1942. Reconciliation was made with the amount charged to the Treasurer by the Controller on that date as follows:

### CASH ON HAND:

1. Coin and Currency.....	\$144,267.14
2. Checks .....	105,798.61

Total Cash on Hand.....	\$250,065.75
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### CASH ON DEPOSIT:

3. Bank Balances (State Law Loans).....	19,947,157.55
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### OTHER CASH ITEMS:

4. U. S. Bonds—Bail Deposits.....	51,350.00
5. City and County Warrants.....	340.00
6. City and County Matured Bonds.....	\$ 15,800.00
City and County Matured Coupons.....	276.50
Registered Interest .....	215,829.25

Total—Matured and paid Bonds and Coupons on hand June 30, 1942.....	231,905.75
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### TOTAL CASH AND CASH ITEMS COUNTED— JUNE 30, 1942.....

\$ 20,480,819.05

7. Cash received after June 30, 1942 applied to the fiscal year 1941-1942.....	233,225.00
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### TOTAL CASH AND CASH ITEMS ON HAND— JUNE 30, 1942.....

\$ 20,714,044.05

### BALANCE PER CONTROLLER'S RECORDS— JUNE 30, 1942.....

\$ 20,714,044.05

The following reconciliation of the amount of outstanding warrants as reflected in the Controller's general ledger June 30, 1942, was prepared by the Controller's Division of Accounts and Reports:

Outstanding warrants per Controller's general ledger.....	\$1,977,972.61
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Reconciliation of the Controller's available cash and outstanding items recorded in the general ledger as of June 30, 1942, and the Treasurer's balance of cash on hand on that date is as follows:

#### Per Controller's Ledger:

Available Cash .....	\$ 18,501,439.69
Outstanding Items .....	2,212,604.36

Total .....	\$ 20,714,044.05
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Treasurer's Cash on Hand June 30, 1942.....	\$ 20,714,044.05
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Outstanding items indicated above are included in the following:

	Coupons	Bonds	Warrants	Total
General City .....	\$ 42,458.00	\$ 75,300.00	\$ 1,690,247.82	\$ 1,808,005.82
Public Service				
Enterprises .....	100,573.75	16,300.00	287,724.79	404,598.54
Total .....	\$143,031.75	\$ 91,600.00	\$ 1,977,972.61	\$ 2,212,604.36

#### 1. Coin and Currency—\$144,267.14

Coin and Currency were verified by actual count.



2. Checks—\$105,798.61

Examination indicated that all checks on hand were current and received in the usual order of business during the day.

Checks on hand June 30, 1942 in the amount of \$105,798.61 reflected above, were deposited July 1, 1942 as evidenced by deposit receipts No. 5134 and No. W 3580.

3. Bank Balances (State Law Loans)—\$19,947,157.55

Cash on deposit in banks at the close of business June 30, 1942 was reconciled with the Treasurer's balances and confirmed direct by the several depositories. Schedule A-1 of the report with schedules indicates the balances of each account, per bank confirmation, as at June 30, 1942, and their status with respect to Public Deposit Act.

Examination of Treasurer's copies of agreements covering the deposit of public funds disclosed that the provisions of Section 1 of Act 2834a, to the effect that "... no such agreement shall provide for the deposit of any of said moneys for a longer period than one year ..." was incorporated in all agreements covering inactive accounts, but was deleted from agreements covering active accounts. According to the Treasurer, the City Attorney orally ruled that this provision does not apply to active deposits. The examination further disclosed that all deposit agreements were signed by the Treasurer and all securities listed thereon approved by the City Attorney. The absence of the corporate seal on copies of bank resolutions attached to the agreements was noticed in several instances.

4. U. S. Bonds (Bail Deposits)—\$51,350.00

Bail Bonds examined and counted at the close of business June 30, 1942 were verified against the Controller's records and are summarized as follows:

Municipal Court—Bail.....	\$21,000.00
County Clerk—Bail .....	16,300.00
County Clerk—Special Bail.....	14,050.00
<b>Total.....</b>	<b>\$51,350.00</b>

5. City and County Warrants—\$340.00

Controller's warrants in the amount of \$340.00 were received from Adult Probation Department and the Municipal Court as a deposit June 30, 1942. These warrants were held by the Treasurer as cash June 30, 1942 and were cleared to the Controller July 1, 1942.

6. Matured bonds, coupons, and registered interest of the City and County of San Francisco—\$231,905.75

The above is represented by:

Employees' Retirement System.....	\$ 16,076.50
Matured bonds and coupons received June 30, 1942 as a cash deposit; cleared to the Controller, July 8, 1942.	
Registered Interest .....	215,829.25

This amount represents uncleared interest payments to registered City and County bond holders by Treasurer's check.

The payments are evidenced by pre-cancelled matured interest coupons which are transferred to the Controller when cleared. The Treasurer clears these items periodically subsequent to the clearance of his checks by the bank. Clearance of these items subsequent to the date of the cash count was verified as follows:

Cleared to the Controller July 30, 1942.....	\$ 19,717.50
Cleared to the Controller Aug. 31, 1942.....	195,276.75
<b>Total cleared .....</b>	<b>\$214,994.25</b>
Balance uncleared as at Aug. 31, 1942.....	835.00
<b>Total Registered Interest.....</b>	<b>\$215,829.25</b>

7. Cash Received after June 30, 1942 and applied to fiscal year 1941-1942—  
\$233,225.00

This amount represents collections made by various departments of the City and County of San Francisco prior to the close of business June 30, 1942, and deposited with the Treasurer July 1, 2, and 3, 1942. The amount includes a deposit of \$150,815.02 from the Assessor; \$33,172.98 from the San Francisco Water Department; \$14,217.90 from the Municipal Railway; \$7,501.21 from Tax Collector; the balance, \$27,517.89 from other City and County departments.

### III. SECURITIES—\$51,731,412.50

All securities in the custody of the Treasurer were examined and verifications were made as hereinafter reported. The total par value of securities with which the Treasurer was chargeable as at June 30, 1942 is summarized as follows:

Charged to the Treasurer by the Controller:

1. Employees' Retirement System Bonds	\$ 27,937,662.50
2. Bequest Fund Bonds	100,000.00
3. Trust Fund Bonds	15,000.00
4. U. S. War Savings Bonds	12,750.00
5. U. S. Treasury Bond (deposit on Lease)	100,000.00

Total charged by the Controller	\$ 28,165,412.50
6. Collateral (Confirmed direct by Depositories)	23,566,000.00

*Total in custody June 30, 1942	\$ 51,731,412.50
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(Exclusive of Corporate Stock—Book Value \$194,876.35)

#### 1. Employees' Retirement System Bonds—\$27,937,662.50

These securities are held in the joint custody vault of the Treasurer and Controller. Verification was made as at June 30, 1942 in conjunction with representatives of J. O. Sully & Company, Certified Public Accountants, engaged this year as auditors of the Employees' Retirement Fund. Prior to each interest collection date, maturing bonds and coupons were examined and checked by the Controller's General Office and released to the Treasurer for collection. A report reflecting each monthly collection, prepared by the Controller's General Office, was transmitted to the Employees' Retirement Board, as requested in a memorandum dated August 8, 1933, from Mr. Ralph Nelson, Secretary-Actuary. The total par value of bonds held in the joint custody vault, June 30, 1942, was verified against the Controller's records and schedule of bonds submitted by the Employees' Retirement Board.

Accountability for securities as at June 30, 1942, was established as follows:

Securities held in the joint custody vault June 30, 1942, counted and examined	\$ 27,137,437.50
Securities maturing July 1, 1942, on hand with the Treas- urer for collection June 30, 1942	44,000.00
Securities on deposit with the Bank of America for collection:	
Per receipt dated June 17, 1942	40,000.00
Per receipt dated June 18, 1942	116,225.00
U. S. Treasury Bonds, 2½%, due 1969, purchased from Retirement System Funds prior to June 30, 1942; re- ceived July 9, 1942	600,000.00
Total par value of bonds on hand June 30, 1942	\$ 27,937,662.50
Total par value per Controller's records	\$ 27,937,662.50

Collections from the above securities in the amount of \$44,000.00, \$40,000.00, and \$116,225.00, totaling \$200,225.00, was evidenced by deposit tag dated July 15, 1942.

Transactions during the fiscal year are summarized as follows:

Par Value Bonds:

On hand July 1, 1941, per annual Audit Report.....	\$ 25,945,175.00
Purchased during the fiscal year 1941-1942.....	2,485,000.00
	<u>\$ 28,430,175.00</u>
Matured during 1941-1942.....	\$483,512.50
Called during 1941-1942.....	9,000.00
	<u>492,512.50</u>
On hand June 30, 1942 per Employees' Retirement System's Records .....	<u>\$ 27,937,662.50</u>
Interest:	
Earned on investments during 1941-1942.....	\$ 1,193,490.66
Interest accrued on bonds at time of purchase.....	11,484.81
	<u>\$ 1,204,975.47</u>
Total interest collected during 1941-1942.....	<u>\$ 1,204,975.47</u>
Premium received on bonds called during 1941-1942.....	\$ 540.00
Total interest and premiums received during the fiscal year per Controller's records.....	<u>\$ 1,205,515.47</u>

2. Bequest Fund Bonds—\$100,000.00

Bonds in the total par value of \$100,000.00 and coupons attached thereto were examined and verified against the Controller's records. Transactions during the fiscal year were reviewed and checked with authorities therefor. Bonds and other assets in which the funds of the several bequests are invested, are held in the joint custody vault of the Treasurer and Controller.

3. Trust Fund Bonds—\$15,000.00

Panama Pacific Exposition Trust Fund Bonds in the total par value of \$15,000.00 and coupons attached thereto were examined and the total compared with the Controller's records. These bonds are held in the joint custody vault of the Treasurer and Controller.

4. U. S. War Savings Bonds—\$12,750.00 (Not registered)

The above represents United States War Savings Bonds of various denominations having a maturity value in the amount of \$12,750.00 (issue value \$9,562.50), on hand with the Treasurer, June 30, 1942. These bonds are held in the Treasurer's vault for safekeeping and issued by the Controller under the "Employees' Payroll Allotment Plan." A description of the bonds on hand with the Treasurer and a summary of transactions during the fiscal year is reflected on Schedule No. A-3, of report with schedules attached.

5. U. S. Treasury Bond—\$100,000.00 (Deposit on Lease)

The above represents a deposit by the San Francisco Holding Company on lease of the San Francisco Unified School District's property located at the N. E. corner of 5th and Market Streets, San Francisco, in accordance with Bill No. 1586, Ordinance No. 1545, Sec. 6, approved March 25, 1942.

6. Collateral Securities—\$23,566,000.00

Bonds submitted by the several depositories are held by the Treasurer as collateral for loan balances pursuant to the provisions of Act 2834a, Section 4, General Laws. All bonds and coupons attached were examined, scheduled, and confirmed direct to the Controller by the several depositories. All bonds on hand conformed to the requirements of Act 2834a, Section 4, General Laws—1937.

Section 4 and 5 of that act are quoted in part as follows:

"Such securities shall be approved by the Treasurer and attorney of . . . political subdivision to an amount in market value at least ten per cent in excess of the amount of deposit with such bank or banks . . . Such security of any part thereof may be withdrawn or released on the written consent of such Treasurer, and the attorney . . . of the political subdivision."

The market value of the collateral was more than 10% in excess of the amount on deposit as indicated on Schedule No. A-1 of report with schedules attached.

Examination of agreements pertaining to the deposit of county funds and of written consents for the release and exchange of securities disclosed that they were approved by the Treasurer and the City Attorney and that the procedure followed conformed to statutory requirements.

The Treasurer maintains a file of bank authorizations. The authorizations reflect the name, signature and specific authority of each bank agent. Test check disclosed that receipts for collateral were in order.

#### City and County Bonds:

Fire Protection Bonds 1942.....	\$3,000,000.00
Water Works System Bonds 1942.....	\$1,250,000.00

The above bonds reflected on the Controller's records June 10, 1942 were authorized by the voters at the election held June 9, 1942. The Board of Supervisors on June 22, 1942, by Resolution No. 2718, authorized the sale of \$500,000.00 Fire Protection Bonds. These bonds numbered 1 to 500, reflected on the Controller's records as outstanding June 30, 1942, were received from the printers July 16, 1942. Proceeds from the sale in the amount of \$500,078.00 were deposited with the Treasurer July 16, 1942, as per Controller's records.

Bonds authorized, as reflected above, were not printed June 30, 1942, therefore not included as a charge to the Treasurer on that date.

#### Cancelled, Mutilated City and County Bonds:

Cancelled, mutilated 1929 Sewer Bonds in the par value of \$178,000.00, described in previous audit reports, were destroyed by the Treasurer December 31, 1941, as evidenced by certificate dated December 31, 1941 on file in the Treasurer's Office.

#### IV. REVENUE

Revenues collected by the Treasurer during the fiscal year 1941-1942 are summarized from the Controller's records, as follows:

1. Interest earned on deposit of public funds.....	\$ 32,529.36
2. Commission on inheritance tax collections.....	12,868.42
3. Duplicate Inheritance Tax Receipt fees.....	3.00
4. Conscience money.....	15.00
5. Miscellaneous .....	2.05
Total.....	<u>\$ 45,417.83</u>

#### 1. Interest Earned on Deposit of Public Funds—\$32,529.36

Interest earned during the fiscal year 1941-1942 in the amount indicated was deposited with the Treasurer per Controller's records as follows:

General Funds—Inactive Accounts.....	\$ 23,734.86
Public Utility Funds—Inactive Accounts.....	8,794.50
	<u>\$ 32,529.36</u>

The rate of interest paid during the fiscal year was  $\frac{1}{2}$  of 1% per annum on daily balances, payable quarterly, excepting one bank which paid  $\frac{3}{4}$  of 1% per annum.

No interest was received during the fiscal year on active deposits.

The rate of interest received during the fiscal year was in conformity with provisions of General Laws Act 2834a, Section 1, Statutes of 1939 as amended by Senate Bill No. 685, Chapter 342, in effect May 24, 1941, which amendment is quoted in full in the appendix of the report containing schedules.

In accordance with provisions of Section 19, Article 12, of the Federal Reserve Act as amended to October 1, 1935, interest payments on active deposits were discontinued two years after date of the enactment.

Verification of interest allowed by the banks indicated that computations of interest were substantially correct.

## 2. Commissions on Inheritance Tax Collections—\$12,868.42

Commissions on Inheritance Tax Collections received during the fiscal year 1941-1942 amounted to \$12,868.42.

The records maintained by the Treasurer for inheritance tax purposes are subject to audit by the State Controller's office.

The California Inheritance Tax Act (Statutes 1937, Section 20, in effect August 27, 1937) provides a maximum commission of \$14,000.00 to be retained by the Treasurer during a calendar year.

The State Controller confirmed by letter dated September 4, 1942, direct to the Controller, the above commissions and periods of accumulations as reflected by the Treasurer's records.

Inheritance Tax Collections on settlement dates hereinafter indicated were verified against deposits of inheritance tax per Controller's records for the same periods. Calculations of commissions on settlement dates were verified by the State Controller's office and test checked for the purpose of this audit.

Settlement dates and amounts are reflected as follows:

Period	Commission
June 1, 1941 to July 31, 1941.....	\$ 2,466.55
August 1, 1941 to September 30, 1941.....	1,390.50
October 1, 1941 to November 30, 1941.....	1,870.78
December 1, 1941 to January 31, 1942.....	3,470.27
February 1, 1942 to March 31, 1942.....	2,214.94
April 1, 1942 to May 31, 1942.....	1,455.38
Total received to June 30, 1942.....	<u>\$ 12,868.42</u>
June 1, 1942 to July 31, 1942.....	2,095.71
Total Confirmed .....	<u><u>\$ 14,964.13</u></u>

## 3. Duplicate Inheritance Tax Receipt Fees—\$3.00

A fifty cent fee is charged by the Treasurer for issuing duplicate receipts for inheritance tax, as prescribed by Section 10 of the Inheritance Tax Act of 1935. The collection and deposit of this fee is subject to the Controller's prescribed revenue procedure and is currently audited by the Controller's general office. Deposits of fees were verified against the Controller's records.

## 4. Conscience Money—\$15.00

This amount was received in the Treasurer's mail. There is no trace of the sender of this money, nor the purpose for which it was sent.

## 5. Miscellaneous—\$2.05

Refund of miscellaneous expenses.

## V. EXPENDITURES

Expenditures and encumbrances from appropriations to the Treasurer's office for the fiscal year 1941-1942 are summarized from the Controller's records as follows:

Appropriation	Appropriated 1941-1942	Adjusted Appropriations 1941-1942	Expenditures and Encumbrances
To Department:			
Permanent Salaries .....	\$50,000.00	\$50,000.00	\$49,999.92
Contractual Services .....	1,000.00	1,000.00	
Fiscal Agent-Service Charge.....	7,500.00	7,500.00	6,137.32
To Purchaser:			
Carfare .....	125.00	125.00	83.69
Maintenance and Repair of Office Equip't...	200.00	300.00	264.58
Telephone and Telegraph.....	100.00	117.87	96.24
Postage .....		82.13	71.00
Stationery and Printing.....	1,100.00	900.00	815.77
Premium on Official Bond.....	1,000.00	1,000.00	1,000.00
Total .....	<u>\$61,025.00</u>	<u>\$61,025.00</u>	<u>\$58,468.52</u>

## Permanent Salaries—\$49,999.92

The 1941-1942 Salary Ordinance, Bill No. 1254, Ordinance No. 1204, provides for employments at maximum monthly rates in the Treasurer's office as follows:

## Appropriation No. 106.110.00—\$50,000.00

Item No.	No. of Employ- ments	Class No.	Class Title	Maximum Monthly Rates	Employ- ment Status
1	1		Treasurer .....	\$666.66	Elective
2	1	B10	Accountant .....	260.00	Civil Service
3	1	B14	Senior Accountant .....	300.00	" "
4	1	B102	Teller .....	240.00	" "
5	1	B102	Teller .....	220.00	" "
6	2	B104	Senior Teller .....	250.00	" "
7	2	B104	Senior Teller .....	250.00	" "
8	1	B112	Asst. Cashier, Treas. Office.....	375.00	" "
9	1	B112	Asst. Cashier, Treas. Office.....	350.00	" "
10	1	B222	General Clerk .....	175.00	" "
10.1	1	B222	General Clerk .....	155.00	" "
10.2	1	B234	Head Clerk .....	250.00	" "
11	1	B408	General Clerk Stenographer....	175.00	" "

Test check of the time rolls indicated that employments were in accordance with the above ordinance.

Examination of time roll procedure indicated compliance with the provisions of the Payroll Ordinance, Bill No. 37, Ordinance No. 9.0551, with respect to daily posting of time worked.

## Premium on Bond—\$1,000.00

Surety bonds in force during the fiscal year 1941-1942 are indicated on Schedule "E". Employees of the Treasurer's office were bonded in accordance with the bond ordinance, Bill No. 1092, Ordinance No. 1058 and Bill No. 1280, Ordinance No. 1241. Bonds are on file with the Controller as prescribed by Charter Section 67.

Premiums paid on bonds during the fiscal year 1941-1942 were as follows:

Treasurer's Bond (Treasurer's Appropriation) .....	\$1,000.00
Employees' Bonds (Purchaser's Appropriation) .....	450.00
Total .....	<u>\$1,450.00</u>

**Insurance**

Fidelity and Deposit Company of Maryland, Forgery Policy No. 2012501 for \$100,000.00, covering the period from May 15, 1942 to May 15, 1945, with premium paid from Purchaser's Appropriation is on file with the Controller.

**Fiscal Agent—Service Charges—\$6,137.32**

Compensation paid the fiscal agent, the National City Bank of New York, for services rendered during the fiscal year 1941-42, was in accordance with rates established by Bill No. 1233, Ordinance 1184 cited in the appendix of this report. The amount expended was verified as follows:

	Par Value Paid	No. of Coupons	Rate of Comp.	Amount
Coupons .....	\$2,560,213.75	116,758	\$.04	\$4,670.22
Bonds .....	2,934,000.00	.....	1/20 of 1%	1,467.00
Total .....	<u>\$5,494,213.75</u>			<u>\$6,137.22</u>

**Other Expenditures:**

Expenditures made from other appropriations were test checked by examination of warrants drawn thereon. The examination disclosed that expenditures were made for purposes indicated by the appropriation account titles and that the purchasing procedure was in conformity with Bill No. 76, Ordinance No. 9,0861.

Respectfully submitted,

WREN MIDDLEBROOK,

Supervisor, General Audits.





# San Francisco Water Department

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

**F. W. LAFRENTZ & CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Mills Building, San Francisco

October 9, 1942.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under powers delegated to you by Ordinance 9.0621, passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the San Francisco Water Department as at June 30, 1942, and of the statement of income and surplus for the year then ended. In connection therewith, we reviewed the system of internal control and the accounting procedures of the Department, and without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

The consultant and statistician to the Grand Jury participated in the examination.

Submitted with this report are the following statements:

- EXHIBIT "A"—BALANCE SHEET as at June 30, 1942;
- EXHIBIT "B"—STATEMENT OF INCOME AND EXPENSE  
for the Years Ended June 30, 1942, and June 30, 1941;
- EXHIBIT "C"—SURPLUS ACCOUNT for the Year Ended June  
30, 1942;
- EXHIBIT "D"—SURPLUS ACCOUNT, CONDENSED, from  
March 3, 1930, to June 30, 1942;
- SCHEDULE No. 1—OPERATING EXPENSES for the Years  
Ended June 30, 1942, and June 30, 1941.

### OPERATIONS

A condensed summary of operations for the fiscal year ended June 30, 1942, compared with operations for the preceding fiscal year follows:

	Fiscal Year Ended June 30, 1942	June 30, 1941	Increase Decrease*
Sale of water.....	\$7,718,881.72	\$7,342,605.45	\$376,276.27
Operating expenses, including de- preciation .....	3,835,229.50	3,876,789.53	41,560.03*
Operating Income .....	\$3,883,652.22	\$3,465,815.92	\$417,836.30
Other income, net.....	89,409.79	74,589.01	14,820.78
	\$3,973,062.01	\$3,540,404.93	\$432,657.08
Bond interest .....	1,584,383.34	1,651,903.33	67,519.99*
Net Income .....	\$2,388,678.67	\$1,888,501.60	\$500,177.07

From the foregoing tabulation it will be seen that operating income exceeded that of the previous year by \$417,836.30 and that water sales indicate an increase of \$376,276.27 with a reduction of \$41,560.03 in operating expenses. Included under "Other Income" of the current year are sales of walnuts amounting to \$32,867.90; this represents an increase of approximately \$15,500.00 over walnut crop returns for the previous period.

Also included under "Other Income" are rents received from agricultural and non-agricultural sources amounting to \$65,231.07. Reference is here made to a comment included under "Accounts Receivable" which states at length the verification made by us affecting this item.

In connection with the increase in water sales revenue, the following comparison of the number of consumers served and metered deliveries of water is submitted:

	As at June 30			
	1942	1941	1940	1939
<b>Consumers, San Francisco District:</b>				
Residential .....	101,169	94,247	93,055	89,542
Commercial .....	29,577	29,502	26,919	26,805
Dock and shipping.....	306	292	287	280
	<u>131,052</u>	<u>124,041</u>	<u>120,261</u>	<u>116,627</u>
Consumers, suburban district.....	779	557	568	562
Totals .....	<u>131,831</u>	<u>124,598</u>	<u>120,829</u>	<u>117,189</u>

	Years Ended June 30			
	1942	1941	1940	1939
<b>Metered deliveries (million cubic feet)</b>				
San Francisco district.....	2,503.4	2,347.5	2,378.7	2,271.9
Suburban districts, including free deliveries, riparian contracts.....	495.1	427.1	407.6	370.0
Totals .....	<u>2,998.5</u>	<u>2,774.6</u>	<u>2,782.3</u>	<u>2,641.9</u>

### TAXES

Section 64 of the Charter of the City and County of San Francisco specifies that the accounts of the municipally owned utilities should include "estimates of the amount of taxes that would be chargeable against such property and the revenue thereof, if privately owned and operated."

In lieu of San Francisco property taxes which have not been assessed, the operating expenses have been charged with amounts equal to the revenues recorded for water supplied to non-paying city departments as follows:

For the year ended June 30, 1942.....	\$550,712.33
For the year ended June 30, 1941.....	\$544,521.98

The San Francisco Water Department, if privately owned, would be required to pay property taxes to the City and County of San Francisco for the fiscal year 1941-42 on a base of \$4.396 per \$100.00 of assessed valuation. In the absence of the Assessor's valuation we are unable to determine whether such taxes would or would not exceed the comparison charges indicated above.

Taxes paid by the Water Department to other cities and counties and which are included in the operating expenses are as follows:

For the fiscal year June 30, 1942.....	\$258,915.58
For the fiscal year June 30, 1941.....	248,416.20
Increase .....	<u>\$ 10,499.38</u>

In connection with the payment of these taxes it was observed that various taxes for special assessments have been paid for several years under protest, and that for the year ended June 30, 1942, they amounted to \$37,049.07. We were advised by the City Attorney's office that recapture of the protested taxes is becoming more doubtful each year.

No estimates have been made for Federal income tax, surtax, excess profits tax, capital stock tax, State franchise tax, and the payroll taxes, and no computations for these taxes appear in the accounts of the Water Department. So many uncertain factors are involved in a computation of these taxes at this time that accurate estimates are not possible. Payments made by the Water Department to the City and County Employees' Retirement System, however, are in excess of those which would be paid under present Federal and State payroll tax rates.

## FINANCIAL POSITION

The financial position of the San Francisco Water Department as at June 30, 1942, is reflected in the balance sheet, EXHIBIT "A", appended hereto. Tabulated below is a summary of this balance sheet showing a comparison with the figures at June 30, 1941:

ASSETS	June 30	
	1942	1941
Properties in service and construction in progress, net .....	\$49,121,282.18	\$49,477,999.95
Cash on deposit with Treasurer .....	3,125,241.38	2,995,824.96
Revolving fund .....	29,980.00	29,980.00
Accounts receivable, less reserve .....	557,663.04	510,676.37
City of Palo Alto, collectible on or before June 30, 1958 .....	156,471.04	163,657.46
Interfund accounts receivable .....	89,896.44	147,501.04
Deferred charges .....	508,187.28	486,477.29
Totals .....	<u>\$53,588,721.36</u>	<u>\$53,812,117.07</u>
LIABILITIES		
Bonded debt .....	\$35,753,000.00	\$37,321,000.00
Bond interest payable .....	709,185.00	800,844.16
Accounts payable and commitments .....	349,368.37	331,690.52
Consumers' deposits and construction advances ..	130,855.01	156,107.59
Interfund accounts payable .....	100,317.29	510,630.49
Compensation insurance reserve .....	25,752.82	22,359.54
San Francisco Bay Exposition, unused credit .....	279,177.79	275,598.38
Sundry credits .....	25.01	544.40
Surplus .....	16,241,040.07	14,393,341.99
Totals .....	<u>\$53,588,721.36</u>	<u>\$53,812,117.07</u>

The following comments are submitted relative to the asset and liability accounts and the scope of our examination:

**Fixed capital—\$49,121,282.18:**

Fixed capital as stated above consists of properties in service, \$71,902,254.60, (of which \$3,183,224.00 is represented by intangibles), less reserve for depreciation, \$23,043,081.54, plus construction in progress amounting to \$262,109.12. Properties in service are carried at values based on an appraisal made by engineers of the San Francisco Water Department as of December 31, 1937, together with subsequent additions at cost. The changes reflected in the accounts during the year are summarized as follows:

	Properties in Service	Depreciation
Balance, June 30, 1941 .....	\$71,481,746.35	\$22,090,521.81
Additions, year 1941-42 .....	462,698.69	964,274.13
	<u>\$71,944,445.04</u>	<u>\$23,054,795.94</u>
Less: Retirements, sales, etc .....	42,190.44	11,714.40
Totals .....	<u>\$71,902,254.60</u>	<u>\$23,043,081.54</u>

The additions indicated above are classified briefly as follows:

Landed capital .....	\$ 40,194.74
Buildings, structures, and grounds.....	20,953.58
Source of water supply.....	31,139.02
Pumping station equipment.....	8,677.27
Transmission and distribution.....	281,601.62
General equipment and automobiles.....	41,455.77
Non-operating capital and miscellaneous.....	38,676.69
<b>Total .....</b>	<b>\$462,698.69</b>

Analyzing the above classification, the major additions consisted of expenditures in connection with the Sutro Reservoir site, \$34,879.96; San Mateo Dam No. 1 spillway and flumes, \$30,916.95; service connections, supply mains etc., \$265,390.60; Sunol irrigation and water system, \$41,278.69; and additions to Central pumping station \$26,890.57.

We examined supporting documents covering major additions; this included inspection of contracts, purchase orders, invoices, etc. Reference was made also to the minutes of the Public Utility Commission in order to ascertain that approvals of the Commission had been obtained.

#### Cash on deposit with Treasurer—\$3,125,241.38:

Cash on deposit with the Treasurer of the City and County of San Francisco at June 30, 1942, was confirmed by review of the report made by the Controller's audit staff, prepared in connection with their examination of the Treasurer's office pursuant to Section 66 of the Charter.

The cash was held in the following funds:

Revenue funds .....	\$ 392,752.13
Reconstruction and replacement fund.....	176,306.72
Special deposit trust fund.....	138,866.61
Extension reserve fund.....	659,950.02
Land purchase fund.....	45,302.94
Water surplus fund.....	18,113.78
Bond redemption fund, 1928 bonds.....	1,003,000.00
Bond redemption fund, 1933 bonds.....	4,264.18
Bond interest fund, 1928 bonds.....	678,105.00
Bond interest fund, 1933 bonds.....	8,580.00
<b>Total .....</b>	<b>\$3,125,241.38</b>

#### Revolving fund—\$29,980.00:

The composition of the revolving fund is as follows:

Cash in banks.....	\$18,775.62
Water sales change and petty cash funds.....	4,675.00
Disbursements awaiting reimbursement.....	6,054.38
Disbursements for which the Controller has refused reimbursement .....	475.00
<b>Total .....</b>	<b>\$29,980.00</b>

Bank balances were confirmed by reconciliation with the certificates of the depositaries, and change and petty cash funds were verified either by actual count or by communication with the custodians thereof. Disbursements awaiting reimbursement were cleared subsequent to June 30, 1942, except an item of \$2.72.

The item of \$475.00 represents a check issued on May 14, 1937, to J. Glosso & Sons, in payment of their claim covering property damage. The Controller has refused reimbursement of this item under Section 85 of the Charter because, in his opinion, the claim was not filed in accordance with Section 87.

**Accounts receivable, less reserve—\$557,663.04:**

This amount is classified as follows:

**Consumers' accounts:**

Deemed collectible .....	\$566,637.52
Deemed uncollectible .....	1,412.51
	<hr/>
	\$568,050.03
Less: Reserve for bad debts.....	28,893.95
	<hr/>
	\$539,156.08

**Other accounts:**

Rentals .....	\$5,983.94
Walnut Growers Association.....	2,659.79
State of California.....	6,878.63
Miscellaneous .....	2,984.60
	<hr/>
	18,506.96
	<hr/>
Total .....	\$557,663.04
	<hr/>

We reviewed the consumers' accounts as to their collectibility and all accounts considered doubtful of collection appeared to have been charged to the reserve except accounts aggregating \$1,412.51, as indicated above. These accounts represent doubtful items awaiting the approval of the Controller for transfer to the reserve.

Our examination of the consumers' accounts included communication by mail for direct confirmation of the balances in certain selected accounts. The replies received did not indicate any differences.

In connection with the accounts recording rental income, it was observed that a detail audit was in progress under the direction of the Controller. The records and transactions relating to both agricultural and non-agricultural rents were being examined. Audit progress reports and supporting work papers were submitted to us for inspection and from a perusal of these it was apparent that the audit will be full and comprehensive. In view of this fact and in order to avoid duplication of effort, our actual audit procedure was confined mainly to the further development of a few points brought to our attention, and also to a limited test of various records. We adjusted the accounts to correct certain differences already disclosed by the Controller's audit. Improvements in accounting procedures are resulting from this audit.

Our examination of the balances at present reflected in the rental accounts disclosed that accounts aggregating \$442.50 should be considered doubtful of collection.

The amount of \$6,878.63 indicated as due from the State of California, has reference to transactions connected with the protection of utility properties. The miscellaneous accounts aggregating \$2,984.60 consist of receivables all of which appear to be fully collectible. Included therewith is an amount of \$1,470.76 representing the June surcharge to the City of Palo Alto in connection with the Palo Alto pipe line agreement.

**City of Palo Alto—\$156,471.04:**

This amount represents the uncollected balance due from the City of Palo Alto for 60 per cent of the cost of the Palo Alto pipe line charged to the City of Palo Alto according to agreement. The agreement specifies that the unamortized balance shall bear interest at 4½ per cent per annum, and is collectible, including the interest charge, by means of a surcharge of two cents per one hundred cubic feet based on the monthly delivery of water, or by additional lump sum payments at the option of the City of Palo Alto. Any balance on June 30, 1958, will be payable at that date in full.

The correctness of the balance was confirmed by the City Clerk, of the City of Palo Alto.

The changes in this account during the year are summarized as follows:

Balance, June 30, 1941.....	\$163,657.46
Interest at 4½ per cent per annum on monthly balances .....	7,163.70
	<u>\$170,821.16</u>
Collected by means of surcharges.....	14,350.12
	<u>\$156,471.04</u>
Total .....	<u>\$156,471.04</u>

Interfund accounts receivable—\$89,896.44:

Interfund accounts receivable were confirmed by reference to the records of the Controller.

Materials and supplies—\$278,641.99:

Physical inventories of materials and supplies were taken by employees of the Water Department accounting division as of May 24, 1942, and the perpetual inventory cards and general records were adjusted therewith. This adjustment necessitated a charge to operations in the amount of \$5,880.57.

The physical inventory records were examined by us and numerous tests were made with the perpetual inventory stock cards. We also made an actual inspection and count of selected items and compared the quantities so ascertained with the quantity indicated on the card records. Material purchase invoices were examined and prices compared with recorded values. The basis of valuation of the inventory was cost except for certain items included below under Newark-San Lorenzo, Corral Hollow, and Sunset lines, which are being carried at salvage values.

The locations of the materials and supplies were as follows:

City distribution division.....	\$221,077.20
Peninsula division .....	41,850.49
Alameda division .....	4,152.14
Newark-San Lorenzo pipe line.....	7,714.15
Corral Hollow pipe line.....	317.99
Sunset discharge line.....	3,530.02
	<u>\$278,641.99</u>
Total .....	<u>\$278,641.99</u>

Commitments, contra—\$214,160.20:

This represents the unexpended balance of encumbrances as at June 30, 1942. It is the accounting practice of the City and County of San Francisco to reflect the total encumbrances as a liability in all proprietary balance sheets in order to facilitate reconciliation with funding balance sheets, and accordingly it is necessary to include unexpended balances as an asset.

Other deferred charges—\$15,385.09:

Contributions by the Water Department to Hetch Hetchy Water Supply for operating expenses are charged to a deferred account until advice is received that the latter has actually expended the contribution. The amounts of the reported expenditures are then charged to surplus on the books of the Water Department. On June 30, 1942, the unreported balance amounted to \$8,177.59, and is included in the above figure. The balance of \$7,207.50 represents expenditures for work in progress, recoverable from various City Departments or from construction advances, and certain other items which are chargeable on completion to maintenance accounts.

Bonded debt—\$35,753,000.00:

Changes during the year in the outstanding bonded debt are reflected hereunder:

	Outstanding June 30, 1941	Redeemed	Outstanding June 30, 1942
Spring Valley 4½%, 1928 issue.....	\$30,008,000.00	\$1,005,000.00	\$29,003,000.00
Water Distribution 4%, 1933 issue .....	7,313,000.00	563,000.00	6,750,000.00
Totals .....	<u>\$37,321,000.00</u>	<u>\$1,568,000.00</u>	<u>\$35,753,000.00</u>

Bonds of the Spring Valley 1928 issue are due serially, \$1,000,000.00 on July 1, of each year to 1970. Bonds of the Water Distribution 1933 issue are also due serially, \$563,000.00 on December 1, of each year to 1952, and \$557,000.00 on December 1, 1953.

Canceled bonds supporting redemptions were not examined by us; our verification of this liability was made by reference to the records of the Controller.

Bond interest payable—\$709,185.00:

This liability is analyzed as follows:

	Total	Spring Valley 1928 Issue	Water Distribution 1933 Issue
Matured coupons not presented for payment .....	\$ 34,185.00	\$ 25,605.00	\$ 8,580.00
Coupons due July 1, 1942.....	652,500.00	652,500.00	.....
Coupons due December 1, 1942 (accrued portion) .....	22,500.00	.....	22,500.00
Totals .....	<u>\$709,185.00</u>	<u>\$678,105.00</u>	<u>\$31,080.00</u>

This liability was verified by reference to the records of the Controller.

Accounts payable and commitments—\$349,368.37:

This amount is classified as follows:

Outstanding warrants .....		\$ 93,127.10
Encumbrances (contracts, purchase orders, etc.):		
For materials and services received.....	\$ 42,081.07	
Commitments, contra (balance of encumbrances, Controller's records) .....	214,160.20	256,241.27
Total .....		<u>\$349,368.37</u>

The above amounts, covering outstanding warrants and encumbrances, and consisting of liability under contracts, purchase orders, etc., were in agreement with the records of the Controller.

Consumers' deposits and construction advances—\$130,855.01:

Consumers' deposits and construction advances are segregated below. The records containing the detail of the individual balances were examined and reconciled, but we did not confirm the deposits and advances by direct communication. An analysis follows:

Consumers' guarantee deposits.....	\$ 31,674.31
Construction advances .....	100,536.53
Custom work advances.....	6,655.77
Total liability offset by cash in Special Deposit Trust Fund.....	<u>\$138,866.61</u>
Less: Amounts due to other City Departments, per Controller .....	8,011.60
Total .....	<u>\$130,855.01</u>



**Interfund accounts payable—\$100,317.29:**

Interfund accounts payable were in agreement with the records of the Controller.

**Contingent liabilities:**

We were advised by the City Attorney's office that suit has been filed against the San Francisco Water Department by Garfield and Anne Schlaadt for \$2,000.00. The claim is based on an accident which plaintiffs allege occurred on May 17, 1941, and in which injuries were stated to have been received by Mrs. Anne Schlaadt.

**Compensation insurance reserve—\$25,752.82:**

This reserve is provided through the medium of a charge to operations of a percentage of salaries and wages, to take care of workmen's compensation claims. The claims are handled through the San Francisco City and County Employees' Retirement System.

**San Francisco Bay Exposition—\$279,177.79:**

This amount represents an undistributed credit balance arising in connection with the construction and operation of the water system serving Treasure Island and Yerba Buena Island.

The recorded costs of the system as reported by Mr. W. P. Day, Vice-President and Director of Works, San Francisco Bay Exposition Company, amounted to \$361,324.92 up to December 31, 1937, which amount was charged on the Water Department books to "Properties in Service," and credited to this deferred credit account. The deferred credit account was also credited with payments made by the Exposition Company, as reimbursement of Water Department costs of operating the plant pumping water to the Island, and the account was charged for water furnished up to February 3, 1941. The basis for this procedure is an agreement with the Exposition Company dated July 20, 1936.

Until conclusion has been reached in the matter of eminent domain proceedings brought by the U. S. Navy Department against the City and County, relating to the acquisition of Treasure Island, final disposition of the above credit balance cannot be made. Adjustments of the Water Department accounts will be necessary when it has been determined what units of the water system are being absorbed by the Navy Department. The balance is also affected by any liquidating payments made by the Exposition Company as reimbursement of the unpaid balance of pumping plant operating costs.

**Surplus—\$16,241,040.07:**

An analysis of the changes in surplus account during the year ended June 30, 1942, is reflected in EXHIBIT "C", and a condensed analysis of surplus account from March 3, 1930, to June 30, 1942, is submitted in EXHIBIT "D".

In conformity with the established accounting practice of the Water Department, contributions to Hetch Hetchy Water Supply for operating expenses were charged directly to surplus. These charges for the year under review amounted to \$253,764.54.

**GENERAL****Merger with Hetch Hetchy:**

Section 122 of the Charter provides that the Hetch Hetchy project when completed shall be merged with the San Francisco Water Department. We were advised by the City Attorney's office that, in their opinion, the Hetch Hetchy project has not been completed and cannot be merged with the Water Department.

In closing we wish to express our appreciation to the officials and employees of the Water Department and the Controller's office for their courtesy and cooperation during the course of the audit.

Respectfully submitted,

F. W. LAFRENTZ & CO.,  
Certified Public Accountants.

EXHIBIT "A"  
SAN FRANCISCO WATER DEPARTMENT

BALANCE SHEET

As at June 30, 1942

A S S E T S

FIXED CAPITAL:

Properties in service:

Tangibles .....	\$68,719,030.60
Intangibles .....	3,183,224.00

\$71,902,254.60

Less: Reserve for depreciation.....	23,043,081.54
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\$48,859.173.06

Construction in progress.....	262,109.12
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\$49,121,282.18

CASH:

On deposit with Treasurer.....	\$ 3,125,241.38
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Revolving fund .....	29,980.00
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3,155,221.38

ACCOUNTS RECEIVABLE:

Consumers' accounts .....	\$ 568,050.03
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Less: Reserve for doubtful accounts.....	28,893.95
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\$ 539,156.08

Other accounts, for rents, etc.....	18,506.96
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557,663.04

CITY OF PALO ALTO, part cost of Palo Alto  
pipe line less collections to date, collectible  
on or before June 30, 1958.....

156.471.04

INTERFUND ACCOUNTS RECEIVABLE:

Public service enterprises.....	\$ 86,017.14
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General city and county.....	3,879.30
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89,896.44

DEFERRED CHARGES:

Materials and supplies.....	\$ 278,641.99
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Commitments, contra .....	214,160.20
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Other deferred charges.....	15,385.09
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508,187.28

TOTAL.....	\$53,588,721.36
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## LIABILITIES

## BONDED DEBT:

Spring Valley 4½% bonds, 1928, maturing \$1,000,000.00 annually to July 1, 1970:		
Matured .....	\$ 3,000.00	
Due July 1, 1942 .....	1,000,000.00	
Due July 1, 1943, to July 1, 1970 .....	28,000,000.00	
	<u>\$29,003,000.00</u>	
Water Distribution 4%, 1933, maturing \$563,000.00 annually to December 1, 1952, and \$557,000.00 on December 1, 1953 .....		6,750,000.00
		<u>\$35,753,000.00</u>

## BOND INTEREST PAYABLE:

Matured .....	\$ 34,185.00	
Due July 1, 1942 .....	652,500.00	
Due December 1, 1942, accrued portion .....	22,500.00	
		<u>709,185.00</u>

ACCOUNTS PAYABLE AND  
COMMITMENTS:

Warrants outstanding .....	\$ 93,127.10	
Contracts, purchase orders, etc.:		
For materials and services received .....	42,081.07	
Commitments, contra .....	214,160.20	
		<u>349,368.37</u>

CONSUMERS' DEPOSITS AND CONSTRUCTION  
ADVANCES .....

.....\$ 138,866.61	
Less: Amounts due to other city departments, per Controller .....	8,011.60
	<u>130,855.01</u>

## INTERFUND ACCOUNTS PAYABLE:

Public service enterprises .....	\$ 71,869.68	
General city and county .....	28,447.61	
		<u>100,317.29</u>

## CONTINGENT LIABILITIES, see text of report.

COMPENSATION INSURANCE RESERVE..... 25,752.82  
DEFERRED CREDITS:

San Francisco Bay Exposition, remaining credit for Exposition water system recorded costs to December 31, 1937 .....		\$ 279,177.79
Other deferred credits .....	25.01	
		<u>279,202.80</u>

## SURPLUS ..... 16,241,040.07

TOTAL ..... \$53,588,721.36

## EXHIBIT "B"

**SAN FRANCISCO WATER DEPARTMENT  
STATEMENT OF INCOME AND EXPENSE**

For the Years Ended June 30, 1942, and June 30, 1941

**SALE OF WATER:**

	Year Ended June 30 1942	1941
San Francisco .....	\$6,558,195.43	\$6,252,032.25
Outside San Francisco.....	563,444.49	495,126.87
Municipal Departments, actual.....	46,529.47	50,924.35
Municipal Departments, comparison.....	550,712.33	544,521.98
	<u>\$7,718,881.72</u>	<u>\$7,342,605.45</u>

**OPERATING EXPENSES:**

Source of water supply—Schedule No. 1.....	\$ 169,665.93	\$ 180,912.03
Standby charge and purchase of water.....	661,277.00	773,284.00
Pumping—Schedule No. 1.....	133,382.81	132,330.67
Purification—Schedule No. 1.....	60,720.61	69,835.42
Transmission and distribution—Schedule No. 1.....	328,178.75	325,034.11
Commercial expenses—Schedul No. 1.....	365,369.89	355,282.55
Administrative and general expense—Schedule No. 1 .....	601,561.19	550,577.68
Provision for doubtful accounts.....	6,000.00	6,000.00
Municipal taxes, comparison.....	550,712.33	544,521.98
	<u>\$2,876,868.51</u>	<u>\$2,937,778.44</u>
Less: Over-distribution of transportation and overhead expense, net.....	4,129.25	2,219.89
	<u>\$2,872,739.26</u>	<u>\$2,935,558.55</u>
Provision for depreciation.....	962,490.24	941,230.98
	<u>\$3,835,229.50</u>	<u>\$3,876,789.53</u>
<b>OPERATING INCOME .....</b>	<u><b>\$3,883,652.22</b></u>	<u><b>\$3,465,815.92</b></u>

**OTHER INCOME:**

Rentals, including crop shares.....	65,231.07	60,144.23
Sale of walnuts.....	32,867.90	17,240.16
Interest earned .....	15,958.20	22,403.00
Lake Merced income.....	5,133.10	1,366.70
Miscellaneous .....	7,483.66	862.52
	<u>\$ 126,673.93</u>	<u>\$ 102,016.61</u>

**OTHER EXPENSE:**

Bond interest, 1928 issue.....	\$1,305,000.00	\$1,350,000.00
Bond interest, 1933 issue.....	279,383.34	301,903.33
Agricultural Division expense.....	9,255.48	9,448.79
Walnut orchard expense.....	22,346.99	15,510.26
Lake Merced expense.....	4,738.87	1,904.81
Miscellaneous expense .....	922.80	563.74
	<u>\$1,621,647.48</u>	<u>\$1,679,330.93</u>
<b>NET INCOME .....</b>	<u><b>\$2,388,678.67</b></u>	<u><b>\$1,888,501.60</b></u>

## EXHIBIT "C"

**SAN FRANCISCO WATER DEPARTMENT  
SURPLUS ACCOUNT**

**For the Year Ended June 30, 1942**

BALANCE JUNE 30, 1941, as per report of audit for the year then ended.....		\$14,393,341.99
Add: Net income for the year ended June 30, 1942 .....	\$2,388,678.67	
Gain on sales of landed capital assets, net.....	2,953.00	
Improvements and equipment taken over at cancellation of Lake Merced lease....	11,052.05	
Recovery from bonding company in connec- tion with Lake Merced lease.....	4,000.00	
Refund of excess contributions to Public Util- ities Commission over expenses for years prior to 1941-42.....	13,419.82	
Other miscellaneous additions and deductions, net .....	37.08	2,420,140.62
		<hr/>
		\$16,813,482.61
DEDUCT CONTRIBUTIONS:		
To general fund.....	\$ 318,678.00	
To Hetch Hetchy water supply.....	253,764.54	572,442.54
		<hr/>
BALANCE, JUNE 30, 1942.....		<u>\$16,241,040.07</u>

## EXHIBIT "D"

SAN FRANCISCO WATER DEPARTMENT  
SURPLUS ACCOUNT, CONDENSED

From March 3, 1930, to June 30, 1942

INITIAL SURPLUS AS AT MARCH 3, 1930:

Excess earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price in accordance with order of the Railroad Commission of the State of California.....	\$ 4,152,652.24
Valuation placed upon Municipal Water Works .....	100,000.00

Less: Additional allowance for depreciation from March 1, 1920, to March 3, 1930.....	2,327,916.67
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Add: Net profit March 3, 1930, to June 30, 1942, including miscellaneous year to year surplus adjustments.....\$26,417,038.54

Grants earned on Federal Public Works Projects .....	2,358,987.60
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Bond premiums less bond expense on sale of 1933 Water Distribution Bonds.....	808,292.40
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Properties and materials from Newark— San Lorenzo pipe line transferred from Hetch Hetchy Water Supply Project at salvage value.....	323,723.34
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Depreciated value of twelve-inch mains transferred from San Francisco Airport .....	20,898.83
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Labor donated by Federal Government for construction of roof over Crystal Springs Aqueduct .....	20,091.00
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City of Palo Alto contribution to cost of Palo Alto pipe line.....	217,207.04
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Cash received under agreement relating to Palo Alto pipe line.....	70,000.00	30,236,238.75
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Deduct:

Contributions to general fund.....	\$10,421,969.10
Contributions to Hetch Hetchy Water	

Supply and Power Project.....	3,364,369.17
Land contributed to City and County of	

Land contributed to City and County of San Francisco and to Joint Highway Commission for streets and boulevards .....	143,121.07
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Excess of adjusted book value of plant over appraisal as at December 31, 1937	1,990,474.91	15,919,934.25
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BALANCE, JUNE 30, 1942.....	\$16,241,040.07
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SCHEDULE No. 1  
OPERATING EXPENSES

For the Years Ended June 30, 1942, and June 30, 1941

SOURCE OF WATER SUPPLY:	Year Ended June 30	
	1942	1941
Superintendence .....	\$ 23,472.24	\$ 21,506.00
Operating labor .....	28,362.75	28,184.48
Operating supplies and expense.....	14,417.44	15,449.93
Repairs, buildings, fixtures and grounds.....	87,043.45	102,277.34
Repairs, surface facilities.....	16,357.85	13,231.27
Repairs, miscellaneous equipment.....	12.20	263.01
	<u>\$169,665.93</u>	<u>\$180,912.03</u>

PUMPING:		
Labor, pumping .....	\$ 39,673.35	\$ 40,389.65
Labor, miscellaneous .....	2,433.04	3,015.80
Fuel for steam.....	18,263.02	12,114.99
Power purchased .....	58,770.08	61,101.90
Lubricants .....	67.25	32.45
Miscellaneous supplies and expense.....	1,221.20	1,474.32
Repairs, primary pumping equipment.....	8,677.78	8,241.39
Repairs, boilers and equipment.....	347.43	584.31
Repairs, miscellaneous equipment.....	964.08	157.34
Other repairs and gardening.....	2,965.58	5,218.52
	<u>\$133,382.81</u>	<u>\$132,330.67</u>

PURIFICATION:		
Superintendence and labor.....	\$ 21,991.56	\$ 24,821.32
Supplies and expense.....	34,728.67	39,730.56
Repairs, plant structures and equipment.....	3,685.93	4,268.80
Repairs and maintenance, roads and trails.....	314.45	1,014.74
	<u>\$ 60,720.61</u>	<u>\$ 69,835.42</u>

TRANSMISSION AND DISTRIBUTION:		
Superintendence .....	\$ 35,470.40	\$ 35,043.45
Patrolling storage facilities.....	14,103.38	14,156.94
Meters and fittings department.....	52,277.57	54,988.84
Street department .....	18,635.77	16,510.69
Consumers' premises expense.....	14,988.19	14,280.37
Miscellaneous supplies and expense.....	8,154.75	9,214.38
Repairs, transmission mains and canals.....	19,614.53	23,566.10
Repairs, reservoirs, tanks and standpipes.....	3,163.23	9,661.44
Repairs, distribution mains and canals.....	72,606.65	58,101.21
Repairs, service connections.....	65,864.30	63,989.05
Repairs, buildings, streets and grounds.....	21,863.76	24,863.53
Repairs, distribution equipment.....	1,436.22	658.11
	<u>\$328,178.75</u>	<u>\$325,034.11</u>

COMMERCIAL EXPENSE:		
Collection .....	\$117,376.98	\$115,583.45
Reading meters .....	40,315.82	38,553.79
Bookkeeping .....	111,514.44	106,561.12
General .....	37,834.54	37,725.49
Inspection and service.....	43,968.51	43,425.64
Shipping .....	14,359.60	13,433.06
	<u>\$365,369.89</u>	<u>\$355,282.55</u>

## ADMINISTRATIVE AND GENERAL EXPENSE:

Salaries, general officers.....	\$ 12,400.00	\$ 19,191.02
Salaries, general office clerks.....	45,227.66	44,081.52
Miscellaneous supplies and expense.....	12,675.74	5,284.34
Injuries and damages.....	2,976.39	5,716.37
Retirement system contributions.....	38,640.18	38,006.73
Mason Street building expense.....	23,577.94	23,341.49
Telephone service .....	16,628.35	16,370.68
Guest cottages and rest room.....	1,310.32	1,495.98
General engineering .....	44,925.27	51,620.67
Hydrography .....	801.22	1,443.77
Miscellaneous .....	777.20	1,332.49
Compensation insurance .....	9,541.76	9,168.17
Other insurance .....	5,604.06	4,879.12
Repairs, Mason Street building.....	8,006.56	8,744.96
Repairs, telephone system.....	6,268.77	5,894.17
Professional services .....	2,300.00	7,650.00
Public Utilities Commission expense.....	49,982.00	57,940.00
Property taxes (outside San Francisco).....	258,915.58	248,416.20
Emergency civilian defense.....	61,002.19	.....
	<u>\$601,561.19</u>	<u>\$550,577.68</u>



# Hetch Hetch Water Supply and Power Project

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

JOHN F. FORBES & COMPANY  
 CERTIFIED PUBLIC ACCOUNTANTS  
 SAN FRANCISCO

October 15, 1942

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the Hetch Hetchy Water Supply and Power Project for the fiscal year ended June 30, 1942, and submit the following exhibits and schedules:

Exhibit

A—Balance Sheet, June 30, 1942.

B—Statement of Operations for the Fiscal Year Ended June 30, 1942.  
 Schedule

- 1—Statement of Production Expenses.
- 2—Statement of Power Transmission Expenses.
- 3—Statement of Expenses for Protection of Property Due to War Conditions.
- 4—Statement of Administrative and General Expenses.

In addition to the above, we present the following comments:

**SCOPE OF EXAMINATION**

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1942, and an analytical review and test-check of the revenues and expenses during the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the project and, without making a detailed audit of the transactions, have examined or tested accounting records of the project and other supporting evidence, by methods and to the extent we deemed appropriate. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the fiscal year ended June 30, 1942, without regard to their classification as to water or power.

The consultant and statistician to the Grand Jury participated in the examination.

**OPERATIONS**

On Exhibit B of this report will be found details of the operations of the project for the year under review.

The operations of the Water Supply Division are financed by contributions from the San Francisco Water Department and from taxes of the City and County of San Francisco, and by receipts from the San Francisco Water Department and the Hetch Hetchy Power Division for standby charges and/or delivery of water. In the accounts, the contributions have been credited to "Contributed Surplus" and the other items to operating revenue.

Section 64 of the City Charter provides, in part, that the Public Utilities Commission shall maintain accounts for each utility in such a manner as to exhibit estimates of the amounts of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. During the year under review, city, county, and irrigation district taxes aggregating \$13,778.14 were paid by the Hetch Hetchy Water Supply and Power Project. If privately owned and operated, the project would also be subject to Federal income, capital stock, excess profits, and State franchise taxes, the amount of which, due to the number of indeterminate factors involved, cannot be readily determined.

## CONTRACT WITH THE PACIFIC GAS AND ELECTRIC COMPANY

The United States Supreme Court has rendered a decision that the agency contract executed in 1925, with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power, is in violation of the Raker Act. As a result of negotiations between the City authorities and the Secretary of the Interior, the Federal District Court has suspended to June 30, 1943, the effective date of the injunction that will, when issued, restrain the City from disposing of power under the contract in question.

Under the date of May 29, 1942, the City and County of San Francisco executed an agreement with the Defense Plant Corporation, a corporation created under Section 5d of the Reconstruction Finance Corporation Act, as amended, to aid in the National Defense Program, covering the delivery to that corporation of electric energy for the operation of an aluminum reduction plant to be constructed at a point near Riverbank, California. The term of the agreement is for a period of five years from the initial delivery of power, the date of which, according to present estimates, will be late in February, 1943. The corporation has the privilege of cancelling the agreement on the thirty days' notice.

In order to meet the delivery requirements of the Defense Plant Corporation, the City and County of San Francisco, on the same date, May 29, 1942, executed an agreement with the Pacific Gas and Electric Company for the purchase from that company of electric energy to supplement that available from the Hetch Hetchy generating plants.

The following comments relate to assets and liabilities appearing on Exhibit A of this report:

### PROPERTIES—\$106,104,953.17

As previously mentioned, our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1942, without regard to their classification as to water or power.

Following is a condensed summary of the property accounts as recorded in the books, showing the changes therein during the year:

	Total	Water	Power
Balance, June 30, 1941.....	\$106,096,195.31	\$93,708,239.15	\$12,387,956.16
Additions .....	39,740.07	32,747.90	6,992.17
Total .....	\$106,135,935.38	\$93,740,987.05	\$12,394,948.33
Deduct retirements .....	30,982.21	20,119.44	10,862.77
Balance, June 30, 1942.....	<u>\$106,104,953.17</u>	<u>\$93,720,867.61</u>	<u>\$12,384,085.56</u>

Under a previous engagement, in accordance with your request, we reviewed the reallocations made between the Water Supply and Power Divisions of expenditures for fixed capital in service and of bonded indebtedness of the project, under the direction of the Public Utilities Commission, as of June 30, 1938.

As stated in our report on that review, the reallocations were, in general, based upon an appraisal of the properties made by the Bureau of Engineering of the Public Utilities Commission in order to determine the amount of the reasonable annual depreciation requirement under Section 128 of the City Charter of the City and County of San Francisco which requires that during the year 1937-1938, and at least every five years thereafter, the Commission shall make an appraisal or may revise the last preceding appraisal of the value and probable useful life of each of the several classes of property of each utility under the jurisdiction of the Commission.

The properties were allocated to the two divisions on the following basis:

- Power Division—Property used exclusively for power purposes, and
- Water Division—All other property, i.e., property used exclusively for water purposes and that used jointly for power and water purposes.

Coincident therewith, the bonded indebtedness of the project outstanding as of June 30, 1938, was allocated "on the basis of the percentage relationships of the gross appraisal amounts for the two divisions" as shown below:

	Gross Appraisal Including Construction Work in Progress	Per- centage	Amount of Bonded In- debtedness, In Even Thousands
Water Division .....	\$ 95,269,346.00	88.4%	\$60,177,000.00
Power Division .....	12,484,771.00	11.6%	7,896,000.00
Total .....	<u>\$107,754,117.00</u>	<u>100.0%</u>	<u>\$68,073,000.00</u>

Based upon our review, it is our opinion that the reallocations made of fixed capital in service and bonded indebtedness of the project appear to be inequitable, and in any event do not conform with the general principles of the Raker Act pertaining thereto. The primary reason for this opinion is that all property used jointly for power and water purposes has been allocated entirely to the Water Supply Division, as a result of which it is not possible, without detailed cost studies and/or analyses, to establish accurate costs of furnishing water and power as required under the Raker Act. A further reason is that, although the object of the enlargement of the O'Shaughnessy Dam was, in part, "to permit the operation of the Moccasin Power Plant at full capacity throughout each year," the entire construction cost of the enlargement has been allocated to water operations.

In substantiation of our conclusion, we quote the following from the provisions of the Raker Act:

Section 9(d):

In connection with the sale of water to the Modesto and Turlock irrigation districts in excess of that to which they are entitled under the Act, such sales are to be made "at such a price as will return to the grantee the actual total costs of providing such stored water, such costs to be computed in accordance with the currently accepted practice of public cost accounting as may be determined by the Secretary of the Interior, including, however, a fair proportion of the cost to said grantee of the conduit, lands, dams, and water-supply system included in the Hetch Hetchy and Lake Eleanor sites; . . ."

Section 9(m):

" . . . The said grantee shall develop and use hydroelectric power for the use of its people and shall, at prices to be fixed under the laws of California or, in the absence of such laws, at prices approved by the Secretary of the Interior, sell or supply such power for irrigation, pumping, or other beneficial use, said prices not to be less than will return to said grantee the actual total costs of providing and supplying said power, which costs shall be computed in accordance with the currently accepted practice of public cost accounting, as shall be determined by the Secretary of the Interior, including, however, a fair proportion of cost of conduit, lands, dams, and water-supply systems; . . ."

Continuing studies are being made to determine the proper method or methods of reallocation of expenditures for facilities jointly used, in accordance with the request of the United States Department of the Interior.

Section 122 of the City Charter provides that the Hetch Hetchy Project, when completed, shall be merged with the San Francisco Water Department. In view of this provision and the fact that the flow of water from the project commenced in October, 1934, we have, as on previous engagements, requested an opinion from the City Attorney as to whether or not the project was completed as of the balance sheet date, within the meaning of the City Charter. In his reply, the City Attorney has stated that for various reasons, in his opinion the project is still far from completion.

## RESERVES FOR DEPRECIATION—\$13,417,190.14

Following is a summary of the reserve for depreciation accounts showing the changes therein during the year under review:

	Total	Water	Power
Balance per audit report, June 30, 1941 .....	\$11,866,673.43	\$7,707,812.54	\$4,158,860.89
Departmental transfers .....		525.00	525.00
Adjusted balance, June 30, 1941....	\$11,866,673.43	\$7,708,337.54	\$4,158,335.89
Add:			
Provision for the year computed on the straight-line method applied to the depreciable portions of cost and useful lives of the respective assets, as established by the Bureau of Engineering of the Public Utilities Commission	1,574,351.41	1,299,530.99	274,820.42
Adjustments resulting from plant retirements, etc. (see below*) .....	1,018.05	3,324.74	4,342.79
Total .....	\$13,442,042.89	\$9,004,543.79	\$4,437,499.10
Deduct:			
Plant retirements and cost of removal .....	\$ 33,693.71	\$ 21,564.76	\$ 12,128.95
Less salvage recovered.....	8,840.96	7,195.96	1,645.00
Remainder .....	\$ 24,852.75	\$ 14,368.80	\$ 10,483.95
Balance, June 30, 1942.....	\$13,417,190.14	\$8,990,174.99	\$4,427,015.15
*Charged to operations (see Exhibit B).....			\$6,701.77
Credited to surplus.....			5,683.72
Remainder .....			\$1,018.05

The Board of Supervisors appropriated \$14,204.00 for reconstruction and replacement expenditures of the Water Supply Division and \$25,775.00 for those of the Power Division during the year, and these amounts were transferred from the project operating fund to the respective reconstruction and replacement funds. The balances in the latter funds at June 30, 1942, which were on deposit with the City Treasurer, aggregated \$320,863.74.

Under Section 128.1 of the City Charter, the Public Utilities Commission is required to provide sufficient funds for reconstruction and replacements due to physical and functional depreciation of each of the utilities under the jurisdiction of the Commission, in accordance with established practice for utilities of similar character.

## CASH

## On Deposit With Treasurer—\$2,516,961.82

The cash on deposit with the Treasurer as of June 30, 1942, is composed of the following funds:

Construction .....	\$ 167,057.17
Bond redemption .....	1,013,000.00
Bond interest .....	746,613.75
Operating .....	268,124.66
Reconstruction and replacement.....	320,863.74
Land purchase .....	1,302.50
Total .....	\$2,516,961.82

These balances were verified by the auditing staff of the Controller's office. We inspected the report on such verification and ascertained that the balances in the respective funds as recorded on the books were in agreement therewith.

Other—\$8,428.29

The composition of the above amount is as follows:

	Total	Water	Power
Bank balances (verified by certifications obtained from depositaries).....	\$6,200.32	\$3,549.06	\$2,651.26
Cash fund at City Office (verified by count).....	400.00	400.00	.....
Reimbursements in transit, offset by liabilities included in accounts payable.....	1,399.68	1,050.94	348.74
Pay-roll deductions in transit (deposited in July, 1942) .....	428.29	255.95	172.34
Total .....	<u>\$8,428.29</u>	<u>\$5,255.95</u>	<u>\$3,172.34</u>

#### ACCOUNTS RECEIVABLE—\$197,141.53

The accounts receivable are as follows:

Pacific Gas and Electric Company for power sales from the Moccasin and Early Intake power houses for the month of June, 1942.....	\$196,862.38
Miscellaneous accounts for electric energy, etc.....	279.15
Total .....	<u>\$197,141.53</u>

With the exception of balances aggregating \$59.27, all the above accounts had been collected at the time of our examination.

#### DEFERRED CHARGES

Estimated Salvage Value—Corral Hollow Pipe Line—\$233,381.21

This amount represents the estimated salvage value of the Corral Hollow Pipe Line, which has been retired from service, and its composition is as follows:

Value established by the Bureau of Engineering of the Public Utilities Commission as of June 30, 1938.....	\$273,850.00
Add adjustments of values of pipe, etc., recorded as of June 30, 1941.....	1,543.71
Total .....	<u>\$275,393.71</u>
Deduct materials used during the year under review by the San Francisco Water Department, billed at valuation prices .....	42,012.50
Remainder .....	<u>\$233,381.21</u>

Prepaid Rent, etc.—\$76,922.35

The composition of the above amount is as follows:

Preliminary investigations and surveys — Cherry River Development .....	\$41,635.28
One-half of \$30,000.00 rent due the United States Government under the Raker Act for the year ending December 19, 1942.....	15,000.00
Work in progress .....	18,140.82
Extension of electric energy line to serve Tesla Portal Chlorinating System .....	2,146.25
Total .....	<u>\$76,922.35</u>

**Materials and Supplies—\$18,071.15**

The materials and supplies are composed of the following:

Book inventory—Moccasin materials and supplies.....	\$17,823.68
Gasoline and oil at Livermore (book inventory).....	34.47
Postage stamps at City Office (verified by count).....	213.00
<b>Total .....</b>	<b>\$18,071.15</b>

Physical tests of the Moccasin materials and supplies are made by employees throughout the year, and the stock cards brought into agreement therewith. As of December 31 and May 31 of each year, the balance of the ledger account in the City Office records is adjusted to agree with inventories based upon the Moccasin stock cards.

**BONDED DEBT—\$59,163,000.00**

Following is a summary of the bonds authorized and sold in connection with the Hetch Hetchy Water Supply and Power Project, together with those redeemed and those outstanding as of June 30, 1942:

Issue	Authorized and Sold	Redeemed in Prior Years	Redeemed During Year Under Review	Outstanding June 30, 1942
Jan. 1, 1909, 4½ %....	\$ 600,000.00	\$ 600,000.00	.....	.....
July 1, 1910, 4½ %....	45,000,000.00	21,000,000.00	\$1,000,000.00	\$23,000,000.00
Jan. 1, 1925, 5%.....	10,000,000.00	3,000,000.00	247,000.00	6,753,000.00
July 1, 1928, 4½ %....	24,000,000.00	1,800,000.00	600,000.00	21,600,000.00
June 1, 1932:				
5¾ % .....	4,325,000.00	458,000.00	208,000.00	3,659,000.00
5% .....	1,234,000.00	50,000.00	8,000.00	1,176,000.00
4½ % .....	143,000.00	12,000.00	14,000.00	117,000.00
4% .....	280,000.00	20,000.00	.....	260,000.00
3% .....	194,000.00	.....	.....	194,000.00
2¾ % .....	324,000.00	5,000.00	15,000.00	304,000.00
Dec. 1, 1933, 4%.....	3,500,000.00	1,225,000.00	175,000.00	2,100,000.00
<b>Total .....</b>	<b>\$89,600,000.00</b>	<b>\$28,170,000.00</b>	<b>\$2,267,000.00</b>	<b>\$59,163,000.00</b>

**BOND INTEREST—\$1,264,485.62**

The composition of this liability is as follows:

Issue	Total	Due July 1, 1942	Matured, But Not Paid	Accrued, Not Due
July 1, 1910, 4½ %....	\$ 536,377.50	\$ 517,500.00	\$18,877.50	.....
Jan. 1, 1925, 5%.....	172,625.00	168,750.00	3,875.00	.....
July 1, 1928, 4½ %....	499,387.50	486,000.00	13,387.50	.....
June 1, 1932:				
5¾ % .....	37,351.04	.....	19,866.25	\$17,484.79
5% .....	7,550.01	.....	2,650.00	4,900.01
4½ % .....	461.25	.....	22.50	438.75
4% .....	1,526.66	.....	660.00	866.66
3% .....	920.00	.....	435.00	485.00
2¾ % .....	1,026.66	.....	330.00	696.66
Dec. 1, 1933, 4%.....	7,260.00	.....	260.00	7,000.00
<b>Total .....</b>	<b>\$1,264,485.62</b>	<b>\$1,172,250.00</b>	<b>\$60,363.75</b>	<b>\$31,871.87</b>

**CONTRACTS, PURCHASE ORDERS, AND OTHER  
COMMITMENTS—\$35,990.30**

These liabilities, which have been reconciled with the Controller's records, are as follows:

Classification	Total	Materials and Supplies Received	Commit- ments
Contracts and encumbrance requests.....	\$ 7,974.24	\$ 1,709.52	\$ 6,264.72
Purchase orders .....	17,375.27	3,653.92	13,721.35
Miscellaneous encumbrances .....	10,640.79	7,626.44	3,014.35
Total .....	<u>\$35,990.30</u>	<u>\$12,989.88</u>	<u>*\$23,000.42</u>

\*Classified on Exhibit A as a deferred charge.

**WARRANTS OUTSTANDING—\$46,085.51**

Following is a summary of the warrants outstanding as of June 30, 1942, which were verified by comparison with the records maintained in the Controller's office:

Fund	Amount
Operating .....	\$25,579.51
Construction .....	20,506.00
Total .....	<u>\$46,085.51</u>

**SURPLUS—\$34,889,326.21**

The changes in the surplus accounts of the project during the year under review are reflected in the following summary:

Balance, June 30, 1941, per audit report.....\$34,137,596.21  
Add:

Contributions from taxes for bond interest and redemption .....	\$1,845,775.83
Contribution through general fund from the San Francisco Water Department for bond interest and redemption.....	318,678.00
Contribution from San Francisco Water De- partment for operating expenses.....	253,764.54
Adjustment of prior years' depreciation re- sulting from current year plant retire- ments .....	5,683.72
Adjustment of operating reserves.....	4,032.24
Refund from Public Utilities Commission of excess contributions .....	4,798.13
Miscellaneous .....	431.63

Total ..... 2,433,164.09

Total .....	\$36,570,760.30
Deduct net loss for the year, per Exhibit B. ....	1,681,434.09
Balance, June 30, 1942 .....	<u>\$34,889,326.21</u>



## CONTINGENT LIABILITIES

According to information furnished to us by the City Attorney, the following contingent liabilities were in existence as of June 30, 1942, by reason of pending litigation or otherwise:

Relating to raising of the O'Shaughnessy Dam:

Claim of contractor, as awarded by the Court, exclusive of interest and costs.....	\$791,253.34
Patent infringement claim, in connection with which the Controller has withheld payment to the contractor of the sum of \$20,000.00 .....	15,000.00

Other:

Sales tax on equipment sold, claimed by the State of California....	4,418.17
United States Government, for maintenance of roads and trails for the fiscal years 1928 to 1939, inclusive.....	25,294.23

In addition to the above, there are several riparian law and other suits pending, the liabilities for which cannot be determined at the present time.

Yours truly,

JOHN F. FORBES & COMPANY

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**BALANCE SHEET, JUNE 30, 1942**

**ASSETS**

**PROPERTIES (see comments):**

Fixed capital in service.....	\$ 105,636,261.53
Fixed capital under construction.....	7,766.64
Amazon and Glen Park reservoir sites (nonoperative) .....	460,925.00

Total .....	\$ 106,104,953.17
Less reserves for depreciation.....	13,417,190.14

Remainder, depreciated value.....	\$ 92,687,763.03
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**CASH:**

On deposit with treasurer.....	\$ 2,516,961.82
Other .....	8,428.29

Total cash .....	2,525,390.11
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ACCOUNTS RECEIVABLE .....	197,141.53
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**INTERFUND ACCOUNTS:**

Public service enterprises.....	\$ 84,919.19
General city and county.....	25,521.12

Total interfund accounts.....	110,440.31
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**DEFERRED CHARGES:**

Estimated salvage value — Corral Hollow Pipe Line .....	\$ 233,381.21
Prepaid rent, etc.....	76,922.35
Uncompleted contracts, purchase orders, and other commitments.....	23,000.42
Materials and supplies.....	18,071.15

Total deferred charges.....	351,375.13
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TOTAL .....	<u>\$ 95,872,110.11</u>
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**EXHIBIT A**

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT

BALANCE SHEET, JUNE 30, 1942

## LIABILITIES

## BONDED DEBT:

Due July 1, 1942.....	\$ 1,600,000.00	
Due December 1, 1942 to July 1, 1977.....	57,550,000.00	
Matured bonds not presented for payment..	13,000.00	
Total bonded debt.....		\$ 59,163,000.00

## BOND INTEREST:

Due July 1, 1942.....	\$ 1,172,250.00	
Matured coupons not presented for payment	60,363.75	
Accrued, not due.....	31,871.87	
Total bond interest.....		1,264,485.62

## ACCOUNTS PAYABLE:

Contracts, purchase orders, and other commitments .....	\$ 35,990.30	
Warrants outstanding .....	46,085.51	
Rental due United States Government under the Raker Act.....	30,000.00	
Total accounts payable.....		112,075.81

## INTERFUND ACCOUNTS:

Public service enterprises.....	\$ 46,386.58	
General city and county.....	379,248.87	
Total interfund accounts.....		425,635.45

## DEFERRED CREDITS:

Operating reserves.....	\$ 9,339.07	
Advances for work not yet performed:		
San Francisco Water Department.....	8,177.59	
Municipal Railway .....	70.36	
Total deferred credits.....		17,587.02

SURPLUS (see comments).....		34,889,326.21
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TOTAL .....	<u>\$ 95,872,110.11</u>
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NOTE: See accompanying comments with respect to contingent liabilities.

## EXHIBIT A

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF OPERATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1942**

REVENUES:			
Power sales:	Total	Water Supply	Power
Moccasin Power House:			
Through the Pacific Gas and Electric Company .....	\$8,618,533.78	.....	\$8,618,533.78
Less distribution commission .....	6,297,131.71	.....	6,297,131.71
Remainder .....	\$2,321,402.07	.....	\$2,321,402.07
Miscellaneous .....	151.15	.....	151.15
Total .....	\$2,321,553.22	.....	\$2,321,553.22
Early Intake Power House:			
Through the Pacific Gas and Electric Company .....	\$ 386,431.25	.....	\$ 386,431.25
Less distribution commission .....	282,346.00	.....	282,346.00
Remainder .....	\$ 104,085.25	.....	\$ 104,085.25
Miscellaneous .....	2,137.46	.....	2,137.46
Total .....	\$ 106,222.71	.....	\$ 106,222.71
Total power sales .....	\$2,427,775.93	.....	\$2,427,775.93
Sale of water power to Hetch Hetchy Power Division (see contra) .....	*\$ 735,474.00	.....	.....
Standby charge and sale of water—San Francisco Water Dept... ..	661,277.00	661,277.00	.....
Total operating revenues .....	\$3,089,052.93	\$1,396,751.00	\$2,427,775.93
Other revenues:			
Rents .....	\$ 2,762.50	\$ 2,469.50	\$ 293.00
Meals .....	3,394.07	.....	3,394.07
Miscellaneous .....	1,498.31	582.38	915.93
Total .....	\$ 7,654.88	\$ 3,051.88	\$ 4,603.00
Total revenues (forward) .....	\$3,096,707.81	\$1,399,802.88	\$2,432,378.93

**EXHIBIT B**

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF OPERATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1942**

**EXPENSES:**

	Total	Water Supply	Power
REVENUES—(Forward) .....	\$3,096,707.81	\$1,399,802.88	\$2,432,378.93
Purchase of water power from Hetch Hetchy Water Supply (see contra) .....			*\$ 735,474.00
Production (Schedule 1).....	\$ 218,428.90	\$ 122,240.24	96,188.66
Transmission (Schedule 2).....	39,188.04		39,188.04
Protection of property, due to war conditions (Schedule 3)....	23,166.72	11,583.36	11,583.36
Administrative and general (Schedule 4) .....	170,113.18	115,765.09	54,348.09
Total expenses .....	\$ 450,896.84	\$ 249,588.69	\$ 936,782.15

NET INCOME BEFORE DE- DUCTING BOND INTEREST, PROVISION FOR DEPRECI- ATION & PROPERTY LOSSES..	\$2,645,810.97	\$1,150,214.19	\$1,495,596.78
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**DEDUCT:**

Bond interest.....	\$2,746,191.88
Provision for depreciation .....	1,574,351.41
Loss on plant retirements .....	6,701.77
Total .....	4,327,245.06

NET LOSS TRANSFERRED TO SURPLUS .....	\$1,681,434.09
--	----------------

NOTE: The agency contract with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power has been found by the United States Supreme Court to be in violation of the Raker Act. The effective date of the injunction to be issued has been extended to June 30, 1943. See accompanying comments for further details.

**EXHIBIT B**

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF PRODUCTION EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1942**

OPERATION:	Total	Water Supply	Power
Superintendence .....	\$ 6,780.11	.....	\$ 6,780.11
Hydraulic labor .....	255.81	.....	255.81
Station labor .....	42,990.79	.....	42,990.79
Miscellaneous labor .....	30,980.79	\$ 24,290.88	6,689.91
Contributions to retirement system....	3,470.71	1,118.84	2,351.87
Supplies and expenses.....	20,084.67	1,524.23	18,560.44
Total .....	<u>\$104,562.88</u>	<u>\$ 26,933.95</u>	<u>\$ 77,628.93</u>

**MAINTENANCE:**

Buildings and structures.....	\$ 40,660.90	\$ 28,090.47	\$ 12,570.43
Reservoirs, dams, and intakes.....	8,720.46	8,720.46	.....
Waterways .....	2,508.73	2,508.73	.....
Pipelines .....	9,463.09	9,463.09	.....
Forebays, penstocks, and tailraces.....	1,151.03	.....	1,151.03
Roads and trails.....	19,647.13	19,647.13	.....
Aqueduct tunnels .....	7,135.19	7,135.19	.....
Hydraulic power plant equipment.....	4,795.15	.....	4,795.15
Miscellaneous equipment, etc.....	4,292.27	4,249.15	43.12
Automotive transportation equipment, less transportation charges distrib- uted .....	1,083.15	1,083.15	.....
Total .....	<u>\$ 99,457.10</u>	<u>\$ 80,897.37</u>	<u>\$ 18,559.73</u>

**MISCELLANEOUS:**

Rent .....	\$ 43.13	\$ 43.13	.....
Communication system .....	8,272.69	8,272.69	.....
Hydrography .....	6,093.10	6,093.10	.....
Total .....	<u>\$ 14,408.92</u>	<u>\$ 14,408.92</u>	.....
<b>TOTAL</b> .....	<u><u>\$218,428.90</u></u>	<u><u>\$122,240.24</u></u>	<u><u>\$ 96,188.66</u></u>

**EXHIBIT B**  
**SCHEDULE 1**

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF POWER TRANSMISSION EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1942**

**OPERATIONS:**

Superintendence .....	\$ 1,863.84	
Transmission line labor.....	13,763.03	
Transmission line supplies and expenses.....	1,338.66	
Substation labor .....	6,210.00	
Contributions to retirement system.....	893.03	
	<hr/>	
Total .....		\$ 24,068.56

**MAINTENANCE:**

Transmission structures .....	\$ 492.57	
Substation equipment .....	3,428.80	
Towers and fixtures.....	343.42	
Tower line conductors.....	3,124.55	
Poles and fixtures.....	6,003.94	
Pole line conductors.....	911.78	
Miscellaneous .....	784.42	
	<hr/>	
Total .....		15,089.48

MISCELLANEOUS—TRANSMISSION RENTS.....	30.00
	<hr/>
TOTAL .....	<u>\$ 39,188.04</u>

**EXHIBIT B**  
**SCHEDULE 2**

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF EXPENSES FOR PROTECTION OF PROPERTY**  
**DUE TO WAR CONDITIONS FOR THE FISCAL YEAR**  
**ENDED JUNE 30, 1942**

	Total	Water Supply	Power
Services of State Guard.....	\$ 6,268.00	\$ 3,134.00	\$ 3,134.00
Remodelling buildings for use by State			
Guard .....	9,570.04	4,785.02	4,785.02
Guarding and patrolling against sabotage..	7,328.68	3,664.34	3,664.34
	<hr/>	<hr/>	<hr/>
TOTAL .....	<u>\$23,166.72</u>	<u>\$11,583.36</u>	<u>\$11,583.36</u>

**EXHIBIT B**  
**SCHEDULE 3**

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1942**

	Total	Water Supply	Power
Salaries and wages.....	\$ 37,146.56	\$ 32,105.23	\$ 5,041.33
Contributions to retirement system.....	1,512.12	1,319.18	192.94
Services of other departments.....	35,040.18	49.63	34,990.55
Professional services .....	1,921.05	960.52	960.53
Stationery, office supplies, and postage	2,198.01	1,963.60	234.41
Telephone and telegraph.....	723.44	140.07	583.37
Traveling and other expenses.....	1,014.14	479.83	534.31
Automobile insurance .....	1,062.03	798.90	263.13
Water rights and damage claims.....	32,035.66	32,035.66	.....
Raker Act and other litigation.....	13,295.74	1,896.23	11,399.51
Injuries and damages.....	92.35	40.02	52.33
Rent paid under Raker Act.....	30,000.00	30,000.00	.....
City, county, and irrigation district taxes .....	13,778.14	13,778.14	.....
Sundry office expenses.....	293.76	198.08	95.68
<b>TOTAL .....</b>	<b>\$170,113.18</b>	<b>\$115,765.09</b>	<b>\$ 54,348.09</b>

**EXHIBIT B**  
**SCHEDULE 4**



# Municipal Railway of San Francisco

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

**LYBRAND, ROSS BROS. & MONTGOMERY**  
**Accountants and Auditors**  
 2 Pine Street  
 San Francisco

The Honorable Harold J. Boyd,  
 Controller, City and County of San Francisco,  
 San Francisco, California.

September 1, 1942

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by ordinance No. 9.0621 passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the MUNICIPAL RAILWAY OF SAN FRANCISCO as at June 30, 1942 and of the statements of income and surplus for the fiscal year then ended. In connection with our examination we reviewed the system of internal control and the accounting procedures of the Railway and, without making a detailed audit of the transactions, have examined or tested the accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

The consultant and statistician to the Grand Jury participated in the examination.

**Operations:** Operations for the year ended June 30, 1942 resulted in a net income of \$293,223.28, which was \$131,114.24 more than for the preceding year.

The net income is stated before deduction of taxes that would have to be paid by a privately owned or operated utility, which is the subject of later comment.

Motor coaches were used on the Howard Street line from its inception (July 2, 1940) to September 7, 1941, when they were replaced by nine trolley coaches at a cost of \$117,387.90. In order to present comparable results of operations we have segregated the results of the operations of the Howard Street line in the following statements.

A comparative summary (cents omitted) follows:

	Year ended June 30		Increase Decrease*
	1942	1941	
<b>Passenger revenues:</b>			
Electric rail cars.....	\$3,861,390	\$3,715,792	\$145,598
Motor coaches other than Howard Street line .....	315,901	240,275	75,626
Howard Street line (motor coaches and trolley coaches).....	112,947	101,631	11,316
<b>Total passenger revenues.....</b>	<b>4,290,238</b>	<b>4,057,698</b>	<b>232,540</b>
Advertising, rent, etc.....	45,158	45,826	668*
<b>Total operating revenues.....</b>	<b>4,335,396</b>	<b>4,103,524</b>	<b>231,872</b>
<b>Operating expenses .....</b>	<b>4,009,261</b>	<b>3,890,294</b>	<b>118,967</b>
<b>Profit from operations.....</b>	<b>326,135</b>	<b>213,230</b>	<b>112,905</b>
<b>Other income:</b>			
Sales of scrap, interest, etc.....	24,171	10,962	13,209
<b>Profit before bond interest.....</b>	<b>350,306</b>	<b>224,192</b>	<b>126,114</b>
<b>Bond interest .....</b>	<b>57,083</b>	<b>62,083</b>	<b>5,000*</b>
<b>Net income .....</b>	<b>\$ 293,223</b>	<b>\$ 162,109</b>	<b>\$131,114</b>
<b>Car hours:</b>			
Electric rail cars.....	870,057	886,731	16,674*
Motor coaches other than Howard Street line .....	177,143	139,509	37,634
Howard Street line (motor coaches and trolley coaches).....	35,808	38,198	2,390*
	<u>1,083,008</u>	<u>1,064,438</u>	<u>18,570</u>

	Year ended June 30	
	1942	1941
Operations per car hour:		
Passenger revenues:		
Electric rail cars.....	\$4.44	\$4.19
Motor coaches other than Howard Street line.....	1.78	1.72
Howard Street line (motor coaches and trolley coaches).....	3.15	2.66
Total passenger revenues.....	3.96	3.81
Advertising, rent, etc.....	.04	.04
Total operating revenues.....	4.00	3.85
Operating expenses .....	3.70	3.65
Profit from operations.....	\$ .30	\$ .20

Operating expenses, including depreciation, increased from \$3.65 to \$3.70 per car hour, as follows:

	Year ended June 30	
	1942	1941
Maintenance:		
Way and structures.....	\$ .177	\$ .178
Equipment .....	.250	.240
Total maintenance.....	.427	.418
Power .....	.493	.499
Conducting transportation .....	1.947	1.932
Accident claims and expenses.....	.152	.116
Depreciation .....	.380	.362
General and miscellaneous.....	.303	.327
	<u>\$3.702</u>	<u>\$3.654</u>

The provision for accident claims and expenses incidental thereto increased \$42,011.67, as follows:

1941-42 .....	\$165,117.38
1940-41 .....	123,105.71
Increase .....	<u>\$ 42,011.67</u>

The provision for depreciation increased \$25,206.29, as follows:

1941-42 .....	\$411,234.86
1940-41 .....	386,028.57
Increase .....	<u>\$ 25,206.29</u>

The increase in the provision for depreciation resulted principally from the purchase of nine trolley coaches and ten additional motor coaches during the year ended June 30, 1941, at a total cost of approximately \$195,000.

The hourly wage rates for platform men, motor coach operators and trolley coach operators for the two years were as follows:

	Year ended June 30	
	1942	1941
Motormen and conductors.....	\$ .75	\$ .75
Motor coach operators.....	.82½	.80
Trolley coach operators.....	.82½	....

Effective July 1, 1942 the rates for platform men, motor coach operators and trolley coach operators were increased to 87½ cents per hour. At the same time increases of varying amounts were also granted other employees, such as carpenters, trackmen, laborers, car repair men, etc.

Mr. W. H. Scott, manager of the Municipal Railway, estimates that the increases in wages will aggregate approximately \$315,000 per year. However, it is interesting to note the upward trend of passenger revenues shown in the following summary.

	Year ended June 30		Increase Decrease*
	1942	1941	
First quarter .....	\$1,011,118	\$1,045,002	\$ 33,884*
Second quarter .....	1,045,765	1,011,585	34,180
Third quarter .....	1,075,799	986,921	88,878
Fourth quarter .....	1,157,556	1,014,190	143,366
	<u>\$4,290,238</u>	<u>\$4,057,698</u>	<u>\$232,540</u>

This increase was maintained through July and August 1942, as follows:

	Year ended June 30		Increase
	1943	1942	
July .....	\$ 408,050	\$ 331,428	\$ 76,622
August .....	414,908	337,760	77,148

Section 64 of the charter of the City and County of San Francisco requires that the accounts of the municipality owned utilities include estimates of the amount of taxes that would be payable if such utilities were privately owned and operated.

City franchise and property taxes for the year ended June 30, 1942, computed at rates comparable to those paid by the Market Street Railway Company, would approximate \$116,000 as follows:

Franchise tax .....	\$ 28,000
Property tax .....	88,000
	<u>\$116,000</u>

The franchise tax is computed at .6415 per cent of passenger and advertising revenues. The property tax is computed on the basis of 50 per cent of the depreciated value of fixed capital multiplied by the tax rate for the current year.

No estimate has been made for federal income, capital stock, excess profits, and pay roll taxes and for state franchise and pay roll taxes. So many indeterminate factors enter into the computation of such taxes that accurate estimates are impracticable.

**Fixed Capital:** A summary of fixed capital for the year ended June 30, 1942 follows:

	Cost	Reserve for Depreciation
Balance, July 1, 1941.....	\$ 10,873,500.12	\$ 6,558,902.07
Capital additions .....	244,947.34	
Provision for depreciation.....		411,234.86
	<u>11,118,447.46</u>	<u>6,970,136.93</u>
Less retirements .....	127,145.93	124,399.61
Balance, June 30, 1942.....	<u>\$ 10,991,301.53</u>	<u>\$ 6,845,737.32</u>

The details of fixed capital are shown on page 130.

We examined the supporting documents covering the principal additions. The provision for depreciation has been based upon the estimated remaining useful life as determined by engineers for the Railway as of June 30, 1938 and is consistent with the basis for the preceding year.

As at June 30, 1942, the Municipal Railway was operating the following rolling stock:

Passenger:	
Electric rail cars:	
New type.....	5
Old type.....	233
Trolley coaches.....	9
Motor coaches.....	41
Total passenger.....	288
Service:	
Work cars .....	2
Autos and trucks.....	19
	<hr/>
	21
Total .....	<hr/> 309 <hr/>

It is proposed to replace the 21 electric rail cars now operating over the "E" line (Union Street) by the purchase of 10 trolley coaches as soon as a priority order for the purchase of the new equipment can be obtained from the United States government.

**Cash:** Cash on deposit with the treasurer was verified by the controller in accordance with Section 66 of the charter.

A summary of the cash balances follows:

On deposit with treasurer:	
Operating fund .....	\$ 1,375,663.96
Reconstruction and replacement fund.....	306,688.16
Bond interest fund.....	6,025.00
Bond redemption fund.....	300.00
Surplus fund .....	1,236.98
	<hr/>
	1,689,914.10
Revolving funds.....	6,500.00
	<hr/>
	<u>\$1,696,414.10</u>

The foregoing amounts were in agreement with the treasurer's balance sheet. Revolving funds were verified by count and by communication with the depositaries. The revolving funds included expenditures aggregating \$144.99 for which the controller has refused reimbursement.

**Deferred Charges:** A summary of the deferred charges follows:

Materials and supplies, less \$4,648.21 reserved for obsolescence....	\$272,589.37
Goods and services receivable under contracts, purchase orders, etc.	317,614.76
Capital replacements in progress.....	31,082.27
	<hr/>
	<u>\$621,286.40</u>

Materials and supplies are stated at their book values. Physical inventories were taken at various dates throughout the year and the records adjusted thereto. We tested the prices, quantities, and arithmetical accuracy of the inventory which had been prepared from the stock records. The reserve of \$4,648.21 for obsolete items appears adequate.

Capital replacements in progress consist of:

Track work .....	\$ 25,379.88
Paving .....	4,031.89
Overhead wiring .....	1,670.50
	<hr/>
	<u>\$ 31,082.27</u>

We examined the authorizations and tested the charges to this account.

**Bonds and Bond Interest:** A summary follows:

**Bonded debt:**

Issue of December 1, 1913, due 1942 to 1952, inclusive, at the rate of \$100,000 per year.....	\$1,100,000.00
Matured bonds not presented for payment.....	300.00
	<u>\$1,100,300.00</u>

**Bond interest:**

Accrued interest for June 1942.....	\$ 4,583.33
Matured coupons .....	6,025.00
	<u>\$10,608.33</u>

These liabilities were in agreement with the records of the controller.

**Reserve for Accident Claims:** An analysis of this account for the year ended June 30, 1942 is shown below:

Balance, July 1, 1941 .....	\$91,351.93
Add charges to operations:	
Three per cent of operating revenues.....	\$130,117.38
Additional provision .....	35,000.00
	<u>165,117.38</u>
Total charges to operations.....	256,469.31

**Deduct claims and expenses paid:**

Personal injury claims .....	106,337.25
Property damage claims .....	8,392.19
Hospital, medical fees, etc.....	17,685.34
Administration and legal expenses.....	31,964.55
	<u>164,379.33</u>
Total claims and expenses paid.....	164,379.33
Balance, June 30, 1942.....	<u>\$92,089.98</u>

We examined the warrants, claims, and resolutions of the Public Utilities Commission in support of the claims and expenses paid.

We reviewed the claims outstanding as at June 30, 1942 with Mr. Thomas B. Johnson, claims adjuster, and, based upon past experience, we consider the reserve adequate.

We wish to express our appreciation for the courtesies extended to us by the officials and employees.

Very truly yours,

LYBRAND, ROSS BROS. & MONTGOMERY.

MUNICIPAL RAILWAY OF SAN FRANCISCO  
BALANCE SHEET, June 30, 1942

ASSETS:

Fixed capital:		
Road and equipment .....	\$10,990,070.38	
New construction in progress .....	1,231.15	
	<hr/>	
	10,991,301.53	
Less, reserve for depreciation .....	6,845,737.32	
	<hr/>	\$4,145,564.21
Cash:		
On deposit with treasurer .....	1,689,914.10	
Revolving funds .....	6,500.00	
	<hr/>	1,696,414.10
Accounts receivable .....	11,344.66	
Less, reserve for uncollectible accounts .....	5,230.54	
	<hr/>	6,114.12
Interfund accounts receivable:		
General city and county .....	708.44	
Other public service enterprises .....	10,475.67	
	<hr/>	11,184.11
Deferred charges:		
Materials and supplies .....	277,237.58	
Less, reserve for obsolescence .....	4,648.21	
	<hr/>	
	272,589.37	
Capital replacements in progress .....	31,082.27	
Commitments — contra (goods and services receivable under contracts, purchase or- ders, etc.) .....	317,614.76	
	<hr/>	621,286.40
		<hr/>
		\$6,480,562.94

LIABILITIES:

Bonded debt:		
Issue of December 1, 1913, 5%, maturing \$100,000 annually to December 1, 1952 .....	\$1,100,000.00	
Matured bonds not presented for payment .....	300.00	
	<hr/>	\$1,100,300.00
Bond interest payable:		
Matured coupons not presented for payment .....	6,025.00	
Accrued, not due .....	4,583.33	
	<hr/>	10,608.33
Accounts payable:		
Contracts, purchase orders, etc.:		
For materials and services received .....	\$33,721.05	
Commitments—contra .....	317,614.76	351,335.81
Warrants outstanding .....	138,534.28	
	<hr/>	489,870.09
Interfund accounts payable:		
General city and county .....	38,890.57	
Other public service enterprises .....	44,684.74	
	<hr/>	83,575.31
Reserve for accident claims .....		92,089.98
		<hr/>
Total liabilities .....		1,776,443.71
SURPLUS, details annexed:		
Contributed surplus .....	\$1,580,606.28	
Earned surplus .....	3,123,512.95	
	<hr/>	4,704,119.23
		<hr/>
		\$6,480,562.94

MUNICIPAL RAILWAY OF SAN FRANCISCO  
SURPLUS

For the year ended June 30, 1942

Contributed surplus:

Balance, July 1, 1941.....	\$1,568,261.80
Poles and fixtures acquired from Market Street Railway Company in connection with its abandonment of Howard Street line; ap- praised net value.....	12,344.48
Balance, June 30, 1942.....	\$1,580,606.28

Composition of balance:

From general taxes.....	\$1,501,745.31
Donated road and equipment.....	73,982.09
Other contributions .....	4,878.88
	\$1,580,606.28

Earned surplus:

Balance, July 1, 1941.....	\$2,830,289.67
Net income for year ended June 30, 1942, de- tails annexed .....	293,223.28
Balance, June 30, 1942.....	\$3,123,512.95



# MUNICIPAL RAILWAY OF SAN FRANCISCO

## INCOME STATEMENT

For the years ended June 30, 1942 and 1941

	Year ended June 30 1942	1941	Increase Decrease*
Operating revenues:			
Passenger .....	\$4,290,238.17	\$4,057,697.88	\$232,540.29
Advertising .....	25,572.93	27,033.53	1,460.60*
Rent .....	11,289.07	11,247.09	41.98
Other .....	8,295.73	7,545.25	750.48
	<u>4,335,395.90</u>	<u>4,103,523.75</u>	<u>231,872.15</u>
Operating expenses:			
Maintenance:			
Way and structures.....	192,125.11	189,465.57	2,659.54
Equipment .....	270,068.98	255,296.74	14,772.24
Total maintenance .....	<u>462,194.09</u>	<u>444,762.31</u>	<u>17,431.78</u>
Power .....	534,332.62	530,876.81	3,455.81
Conducting transportation .....	2,108,434.38	2,056,891.99	51,542.39
Accident claims and expenses.....	165,117.38	123,105.71	42,011.67
Depreciation .....	411,234.86	386,028.57	25,206.29
General and miscellaneous.....	327,947.70	348,628.29	20,680.59*
	<u>4,009,261.03</u>	<u>3,890,293.68</u>	<u>118,967.35</u>
Profit from operations.....	<u>326,134.87</u>	<u>213,230.07</u>	<u>112,904.80</u>
Other income:			
Sales of scrap, etc.....	12,022.90	8,107.78	3,915.12
Interest on bank deposits.....	2,844.09	2,854.53	10.44*
Refund from Public Utilities Com.	9,304.75	.....	9,304.75
Profit before bond interest	<u>350,306.61</u>	<u>224,192.38</u>	<u>126,114.23</u>
Bond interest .....	57,083.33	62,083.34	5,000.01*
Net income .....	<u>\$293,223.28</u>	<u>\$162,109.04</u>	<u>\$131,114.24</u>
Comparison charges for taxes as required by Section 64 of the charter:			
City franchise and property taxes, computed at rates comparable to those paid by the Market Street Railway Company .....	<u>\$116,000</u>	<u>\$115,000</u>	<u>\$1,000</u>

No estimate has been made for federal income, capital stock, excess profits, and pay roll taxes and for state franchise and pay roll taxes. So many indeterminate factors enter into the computation of such taxes that accurate estimates are impracticable.

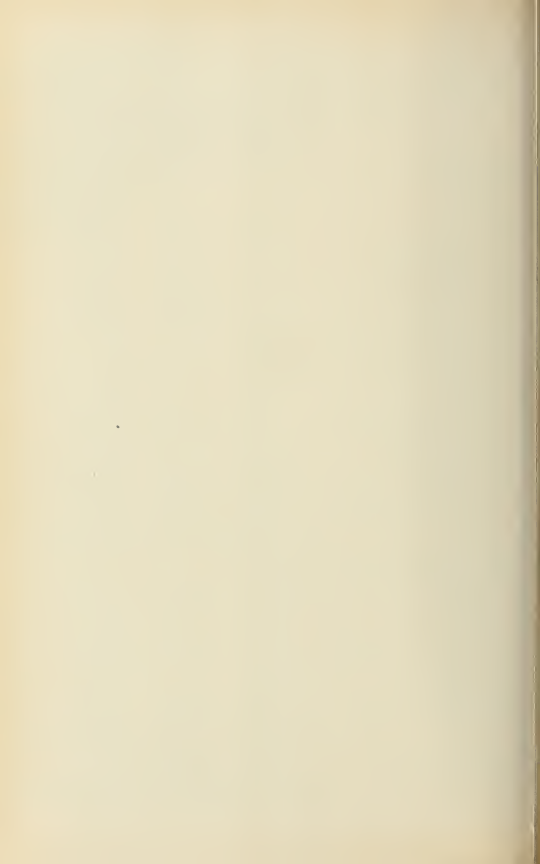


**FIXED CAPITAL**  
For the year ended June 30, 1942

RESERVE FOR DEPRECIATION

ROAD AND EQUIPMENT									
Balance July 1, 1941	Balance June 30, 1942	Retirements	Retirements	Balance July 1, 1941	Balance June 30, 1942	Provision	Less Salvage	Balance June 30, 1942	Estimated Useful Life (Years)
Right of way.....	\$169,839.07								---
Other land.....	308,277.72								---
Grading.....	534,519.92	\$31,684.71	\$16,017.00	\$164,485.93	\$10,262.78	\$16,017.00	\$158,731.71	\$158,731.71	52
Ballast.....	360,523.62	8,912.38	7,533.00	361,903.00	178,236.90	13,880.16	7,533.00	184,584.06	26
Ties.....	198,844.46	4,010.46	3,737.00	199,117.92	154,197.65	7,655.51	3,737.00	158,116.16	26
Rails, fastenings and joints.....	986,445.89	28,457.39	20,612.00	994,291.28	683,052.84	35,314.76	19,169.16	699,198.44	26
Special work.....	370,445.63	10,781.07	16,058.00	365,168.70	250,196.75	20,152.24	15,736.84	254,612.15	18
Track and roadway labor.....	933,622.55	51,272.14	25,581.00	959,313.69	645,637.91	38,932.06	25,581.00	658,988.97	24
Paving.....	1,221,750.04	27,726.88	30,078.38	1,219,398.54	986,832.52	48,870.00	30,078.38	1,005,624.14	25
Roadway machinery and tools.....	24,872.60	4,024.37		28,896.97	15,681.47	1,077.22		16,758.69	10-25
Tunnels and subways.....	14,987.49			14,987.49	13,929.54	528.97		14,458.51	25
Bridges, trestles, culverts.....	4,689.04			4,689.04	1,875.68	117.23		1,992.91	40
Crossings, fences, signs.....	46,075.71			46,075.71	13,937.39	937.89		14,875.28	25-50
Signal system.....	20,160.19			20,160.19	4,199.40	905.70		5,105.10	12-20
Telephone and telegraph lines.....	179.07	261.51		440.58	107.46	11.94		119.40	15
Poles and fixtures.....	277,873.31	25,767.13	90.28	303,550.16	143,439.64	6,582.82	85.77	149,936.69	40
Underground conduits.....	157,032.80			157,032.80	69,951.00	2,798.04		72,749.04	55
Distribution system.....	825,236.73	52,147.20	3,518.70	873,865.23	586,262.49	28,058.05	2,990.89	611,329.65	25
Shops and carhouses.....	987,490.29	73,815.21	1,905.98	1,059,399.52	447,914.14	20,668.24	1,905.98	466,676.40	30-50
Miscellaneous bldgs. and structures.....	47,105.13	2,421.60		49,526.73	26,153.37	1,023.31		27,176.68	20-35
Equipment:									
Electric rail cars—new type.....	82,710.35			82,710.35	3,963.18	4,105.11		8,068.29	20
Electric rail cars—old type.....	1,661,992.06	2,415.80		1,664,407.86	1,293,875.12	64,389.00		1,358,264.12	33
Trolley coaches.....	116,093.72	1,294.18		117,387.90		7,653.69		7,653.69	15
Motor coaches.....	397,592.57	2,683.92		400,276.49	111,312.72	54,526.78		165,839.50	7
Fare boxes.....	36,160.65			36,160.65	22,683.55	1,068.67		23,752.22	15-20
Service equipment—automotive.....	34,768.04	3,301.52	1,334.88	36,734.68	20,046.08	3,529.62	1,009.88	22,565.82	10-18
Service equipment—electric.....	11,071.11			11,071.11	8,524.02	327.22		8,851.24	30-40
Electric equipment—cars.....	866,541.51			866,541.51	649,443.06	34,397.31		683,840.37	20-30
Shop equipment.....	43,659.65	2,763.49	37.60	46,385.54	36,579.22	1,483.26	37.60	38,024.88	5-30
Furniture and office equipment.....	39,995.23	2,919.20	642.11	42,272.32	26,383.04	1,977.28	517.11	27,843.21	5-25
Construction in progress.....	92,943.97	91,712.82*	2,014.59	3,303,948.41	2,172,809.99	173,457.94	1,564.59	2,344,703.34	---
Total fixed capital.....	\$10,873,500.12	\$244,947.34	\$127,145.93	\$10,991,301.53	\$6,558,902.07	\$411,234.86	\$124,399.61	\$6,845,737.32	---

\*Denotes reduction.



# San Francisco Airport—Mills Field

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

## CITY AND COUNTY OF SAN FRANCISCO

Office of the Controller

October 20, 1942.

Mr. Harold J. Boyd, Controller, City and County of San Francisco:

## AIRPORT DEPARTMENT

## SAN FRANCISCO AIRPORT—SAN MATEO COUNTY

## Examination of Accounts for the Year Ended June 30, 1942

Dear Sir:

Under your direction and pursuant to the provision of Charter Section 66, an examination has been made of the accounts of the San Francisco Airport, San Mateo County, for the year ended June 30, 1942. Mr. David F. Supple, Consultant and Statistician to the Grand Jury, participated.

The following schedules, based on this examination, are submitted herewith:

Exhibit A—Balance Sheet, June 30, 1942.

Exhibit B—Comparative Statement of Revenues and Expenses  
for the years ended June 30, 1942 and 1941.

The examination was limited to the verification of assets and liabilities as of June 30, 1942, and an analytical review and test check of the revenues and expenses of the fiscal year ended as of that date. A general review of the accounting methods was made and the accounting records and other supporting evidence were examined or tested in a manner and to the extent considered appropriate in view of the system of internal accounting control. Verification of the property accounts was limited to a review of the recorded additions and retirements during the year.

The fixed capital accounts in the Airport books are segregated to show property in service and property under construction. Examination discloses that nearly all of the latter group should have been transferred to property in service long prior to June 30, 1942. In consequence of such transfers not having been made, there has occurred over-capitalization with respect to interest and other overhead items, inadequate credits to the reserve for depreciation and under charges to the income accounts for depreciation, interest and general expenses. Since Federal aid through W.P.A. forces was also involved in the additions to the airport and the value thereof is not reflected in the airport records, an engineering study is being conducted to ascertain the accurate amounts for that portion of the improvements which should be included under property in service. When the report of the study aforesaid has been completed, proper adjustments in the fixed capital accounts will be made and the reserve for depreciation, income and surplus accounts for past accounting periods will be made to reflect proper balances.

Relative to operations for the fiscal year 1941-1942, and subject to the comments above relative to depreciation, interest and overhead expenses, the net loss transferred to surplus is \$26,568.58 greater than that for the fiscal year ended June 30, 1941. Such increased net loss, generally, results from:

1. June 11, 1941—Discontinuance of remunerative service, rendered by San Francisco Airport personnel to commercial air transport companies for handling cargoes.
2. July 1, 1941 —Decrease in landing rates charged commercial air transport companies.

3. Dec. 7, 1941— Cessation at San Francisco Airport of all civilian aviation activity other than regularly scheduled commercial transport flights following an order to that effect from the United States Army Air Forces, Fourth Interceptor Command.

Detailed findings and comments resulting from this examination are submitted separately.

The foregoing comments and the accompanying exhibits relate to the airport in San Mateo County exclusively. Because the records of the San Francisco Airport Department as a whole and the report of audit of the controller's records at June 30, 1942, by Ernst & Ernst contain references to the airport on Treasure Island, the following summary of transactions recorded as being related to Treasure Island has been developed and is here presented without comment for purposes of reconciliation only:

Fixed capital, contributions.....	\$12,484,976.34	
Cash, recorded for rentals and service; earned \$3,866.43, unearned \$521.70.....		4,388.13
Excess of the amounts recorded as operating expenses, financed out of tax apportion- ments .....	\$6,642.36	
over cash recorded for earned rentals and service (see above) .....	3,866.43	2,775.93

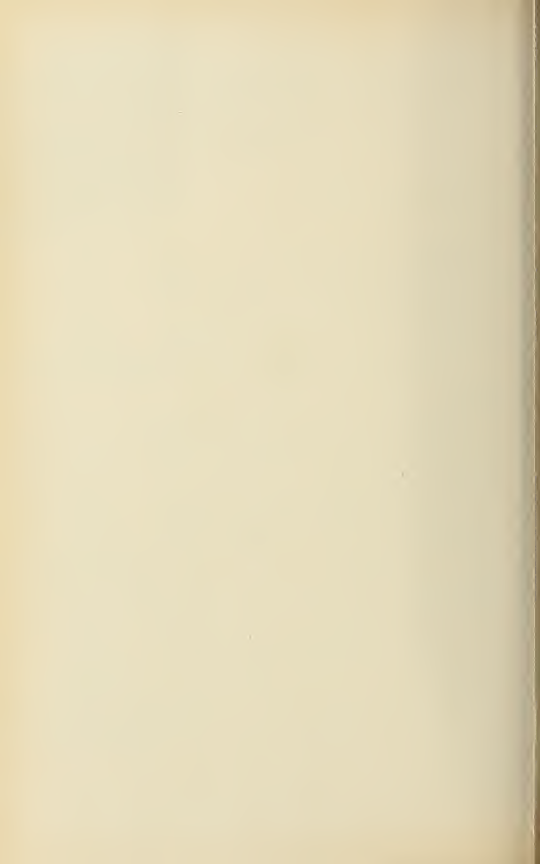
Respectfully submitted,

WILLIS O'BRIEN,  
Supervisor, Utility Audits.





A S S E T S					
	Intra-Departmental Elimination	Consolidated			
Fixed Capital.....	\$2,771,501.39	\$2,432,133.51	\$849,274.79	\$6,052,909.69	
Less: Reserve for Depreciation.....	452,193.78			452,193.78	
Cash:					
On Deposit with Treasurer.....	20,937.80	214,825.34	70,321.63	306,084.77	
Revolving Fund .....	500.00			500.00	
Accounts Receivable—Less Reserve for Uncollectible Accounts .....	6,470.91			6,470.91	
Interfund Accounts Receivable:					
Airport Improvement Clearing Fund (Contra).....		400,000.00		\$400,000.00	
General City and County.....	4,688.73			4,688.73	
Deferred Charges .....	5,022.15			5,022.15	
Total Assets .....	\$2,356,927.20	\$3,046,958.85	\$919,596.42	\$5,923,482.47	
<b>LIABILITIES AND SURPLUS</b>					
Bonded Debt:					
1938 Airport Bonds—Maturing \$285,000 annually to Jan. 1, 1949 .....		\$1,995,000.00		\$1,995,000.00	
Bond Interest Accrued (Payable July 1, 1942).....		17,780.00		17,780.00	
Accounts Payable .....	\$ 6,148.83	52,100.39	\$ 54,596.42	112,845.64	
Interfund Accounts Payable:					
1938 Airport Bond Fund (Contra).....		400,000.00		\$400,000.00	
Public Service Enterprises.....	2,752.21	4,990.02		7,712.23	
General City and County.....	356.86			356.86	
Deferred Credits .....	5,476.35		465,000.00	470,476.35	
Total Liabilities .....	\$ 14,734.25	\$2,069,870.41	\$919,596.42	\$2,604,201.08	
Balance, June 30, 1941.....	\$2,405,765.68	\$ 651,063.44		\$3,056,829.12	
Add: Contributions from:					
Taxes .....	19,886.21	325,940.00		345,826.21	
Mayor's Emergency Fund.....	1,307.80			1,307.80	
Emergency Reserve Fund.....	14,800.00			14,800.00	
Transfer .....	— 85.00	+ 85.00			
Deduct: Net Loss.....	99,481.74			99,481.74	
Balance, June 30, 1942.....	\$2,342,192.95	\$ 977,088.44		\$3,319,281.39	
Total Liabilities and Surplus.....	\$2,356,927.20	\$3,046,958.85	\$919,596.42	\$5,923,482.47	



**AIRPORT DEPARTMENT  
SAN FRANCISCO AIRPORT—SAN MATEO COUNTY  
EXHIBIT B**

**COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
For the Fiscal Years Ended June 30, 1942 and June 30, 1941**

	June 30 1942	June 30 1941
<b>OPERATING REVENUES:</b>		
Landing charges (includes handling).....	\$18,692.50	\$44,122.00
<b>Rentals:</b>		
Hangar .....	\$ 8,347.51	\$14,691.97
Shop .....	1,082.00	2,284.00
Garage .....	60.00	
Office .....	4,441.56	3,195.05
Restaurant .....	5,084.52	3,299.02
Land .....	2,409.46	2,400.00
United Air Lines Transport Corporation.....	2,011.91	
Locker .....	49.50	109.00
<b>Total Rentals</b> .....	<u>\$23,486.46</u>	<u>\$25,979.04</u>
<b>Miscellaneous:</b>		
Gasoline Sales Commissions.....	\$ 594.88	\$ 1,213.74
Telephone Income .....	683.81	355.53
Telegraph Agency Commissions.....	1,451.90	695.08
<b>Total Miscellaneous</b> .....	<u>\$ 2,730.59</u>	<u>\$ 2,264.35</u>
<b>Total Operating Revenues</b> .....	<u>\$44,909.55</u>	<u>\$72,365.39</u>
<b>OPERATING EXPENSES:</b>		
<b>Operation:</b>		
Salaries and Wages.....	\$55,783.58	\$53,263.62
Gas and Electricity.....	12,464.14	8,302.77
Telephone, Telegraph and Postage.....	3,228.70	3,677.33
Materials and Supplies.....	5,017.93	3,989.60
Provision for Bad Accounts.....	300.00	300.00
Travel .....	4,748.12	5,570.22
Insurance .....	1,328.03	1,479.50
Miscellaneous Contractual Service.....	742.23	393.28
Taxes .....	4,496.45	4,155.40
Services of Bureau of Engineering.....	707.89	851.16
Contributions to Retirement System.....	2,134.86	1,982.15
Miscellaneous .....	.62	3.64
National Emergency Defense.....	1,288.31	
<b>Total Operation</b> .....	<u>\$92,240.86</u>	<u>\$83,968.67</u>
<b>Maintenance and Repairs:</b>		
Buildings and Structures.....	\$ 1,051.76	\$ 967.89
Automobiles and Motorcycles.....	1,401.45	1,380.17
Miscellaneous Equipment .....	1,055.00	995.79
<b>Total Maintenance and Repairs</b> .....	<u>\$ 3,508.21</u>	<u>\$ 3,343.85</u>
Provision for Depreciation.....	\$57,312.17	\$59,970.37
Loss on Retirements.....	\$ 1,059.89	
<b>Total Operating Expenses</b> .....	<u>\$154,121.13</u>	<u>\$147,282.89</u>
<b>OPERATING LOSS</b> .....	<u>\$109,211.58</u>	<u>\$74,917.50</u>
<b>OTHER INCOME</b> .....	<u>9,729.84</u>	<u>2,004.34</u>
<b>NET LOSS</b> .....	<u>\$99,481.74</u>	<u>\$72,913.16</u>



# San Francisco School Department

(A Unified School District)

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

## SAN FRANCISCO SCHOOL DEPARTMENT

(A Unified School District)

REPORT ON EXAMINATION OF ACCOUNTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1942BENJAMIN H. HICKLIN  
Certified Public Accountant  
844 Russ Building  
San Francisco

October 15, 1942

Honorable Harold J. Boyd, Controller,  
City and County of San Francisco,  
San Francisco, California.

Dear Sir:

According to the terms of our engagement, we have examined the accounts of the School Department of the City and County of San Francisco (such Department constituting the San Francisco Unified School District) for the fiscal year ended June 30, 1942.

Our examination comprised a general verification of the records of the School Department relating to the assets and liabilities as of June 30, 1942, a review of the accounting procedures and methods of internal control, analysis of certain accounts maintained by the School Department, tests and verifications of certain items of revenues and expenditures during the year and a reconciliation of the fund balances as maintained on the School Department records with the fund balances maintained on the records in your office.

The items relating to fixed capital properties, bonded debt and bond interest, appearing in Exhibit A, the Proprietary Balance Sheet, are based upon the accounts maintained in your office, which have been made the subject of an independent examination.

Mr. David F. Supple, consultant to the Grand Jury, participated in our examination.

There are presented herewith for your consideration:

EXHIBIT A PROPRIETARY BALANCE SHEET—JUNE 30, 1942.

EXHIBIT B RECONCILEMENT OF PROPRIETARY BALANCE SHEET  
WITH FUNDS BALANCE SHEET AS OF JUNE 30, 1942

EXHIBIT C FUNDS BALANCE SHEET—JUNE 30, 1942

EXHIBIT D STATEMENT OF SURPLUS ACCOUNTS  
For the fiscal year ended June 30, 1942EXHIBIT E STATEMENT OF REVENUES AND EXPENDITURES  
For the fiscal years ended June 30, 1942 and June 30, 1941SCHEDULE 1 ANALYSIS OF EXPENDITURES  
For the fiscal years ended June 30, 1942 and June 30, 1941

Explanatory comments relative to the exhibits and schedule noted above follow:

## PROPRIETARY BALANCE SHEET — EXHIBIT A

Fixed Capital Properties \$51,563,243.30 is the aggregate ledger valuation of all School Department property as shown on the Controller's record as of June 30, 1942. The amount shown on the Controller's record as of June 30, 1942 is stated to represent the appraised value of the properties acquired without cost or acquired prior to the time when costs were accurately recorded, together with original costs of new buildings and additions since the time when accurate records have been maintained. In accordance with the established policy of the City, no deductions for depreciation of the properties have been recorded.

The School Department maintains a separate property ledger and equipment ledger showing the details of the cost of the various individual properties, but these records are not in agreement with the accounts of the Controller, principally due to the inclusion in the Controller's accounts of the appraised values of properties when the Controller's accounts were originally established. It was reported to us that it is customary for the Controller to record abandonments and losses on sales of properties in the fiscal year following the abandonment or sale of such properties. It is suggested that all future entries in the proprietary records of the School Department maintained in your office be made within the same month as corresponding entries are made in the records maintained by the School Department.

We reviewed the proprietary records in the School Department and satisfied ourselves that the recorded charges for capital outlays and the deductions for properties sold or discarded were properly entered and thereafter compared the aggregate of such additions with the Controller's record of additions.

The net increase in these assets during the fiscal year under review, per the Controller's records, was \$365,242.79, which is reconciled with the net capital outlays shown in the School Department records, \$269,919.27, as follows:

Net Capital Outlays per School Department records.....	\$269,919.27
Total per Statement of Revenues and Expenditures—	
Exhibit E.....	\$314,500.91
Add Transfers from Storeroom, etc.....	1,625.92
Total Additions to Properties.....	\$316,126.83
Less Property sold or discarded.....	46,207.56
Additions by Controller not entered by School Department in fiscal year ended June 30, 1942.....	\$188,910.26
Adjustment of Land cost as of June 30, 1941.....	\$ 1,200.00
Capital Outlays for School Buildings.....	387.80
Capital Outlays for Equipment.....	24,809.20
Valuation of Administration Building at Bush and Stockton Streets.....	162,513.26
Credits by School Department not entered by Controller in fiscal year ended June 30, 1942.....	46,207.56
Total .....	\$505,037.09
Less Net Loss on School Properties sold prior to July 1, 1941— Not entered by School Department in fiscal year ended June 30, 1942 .....	1,583.15
Balance .....	\$503,453.94
Less credits for reduction by Controller not entered by School Department in fiscal year ended June 30, 1942.....	138,211.15
Net increase in Fixed Capital Properties for the fiscal year ended June 30, 1942, per Controller's records.....	<u>\$365,242.79</u>

We obtained an independent verification of the existence at June 30, 1942 of fire insurance aggregating \$29,050,000.00 covering all the property of the School Department in the City and County of San Francisco. It was reported that this insurance had been placed with 49 insurance companies in accordance with the provisions of contract number 60041.

Cash \$1,660,849.19 comprised the aggregate of School Fund balances on deposit with the Treasurer, \$1,660,449.19 and Revolving Funds aggregating \$400.00. We verified the Treasurer's fund balances by reference to a report

of an audit of his records made under your supervision. We reconciled the balances shown in said report with the balances shown on the ledger of the School Department as follows:

FUNDS	School Department Balances	Warrants Outstanding and Other Reconciling Items	Treasurer's Balances
Current Funds .....	\$ 1,177,831.68	\$ 434,052.86	\$ 1,611,884.54
Bond Interest			
5 % 1908.....		100.00	100.00
4½ % 1918.....		4,342.50	4,342.50
5 % 1923.....		13,350.00	13,350.00
Bond Redemption			
4½ % 1918.....		5,000.00	5,000.00
5 % 1923.....		7,000.00	7,000.00
Totals.....	\$ 1,177,831.68	\$ 463,845.36	\$ 1,641,677.04
Capital Funds			
School Bond 1938.....	154.05		154.05
P. W. A. Docket 1578.....	1,219.14		1,219.14
Total Capital Funds.....	\$ 1,373.19		\$ 1,373.19
Special and Trust Funds			
School Teachers' Sabbatical Leave .....	10,200.52	415.64	10,616.16
School Teachers' Permanent (Retirement) .....	6,782.70	162.60*	6,620.10
School Teachers' Annuity.....	194.57	31.87*	162.70
Total Special and Trust Funds....	\$ 17,177.79	\$ 221.17	\$ 17,398.96
Totals—All Funds.....	\$ 1,196,382.66	\$ 464,066.53	\$ 1,660,449.19

\*Items received by School Department in June 1942 and deposited with Treasurer after June 30, 1942.

The warrants outstanding and other reconciling items as shown above are summarized as follows:

Warrants Outstanding .....	\$433,721.31
Current Funds .....	\$433,305.67
Special and Trust Funds.....	415.64
Expenditures recorded by School Department in June 1942, but not entered by Controller until July 1942.....	747.19
Matured bonds not paid by Treasurer.....	12,000.00
Matured coupons not paid by Treasurer.....	17,792.50
Total .....	\$464,261.00
Less receipts by School Department in June 1942, not deposited with Treasurer until after June 30, 1942.....	194.47
Net Reconciliation between School Department Balances and Treasurer's Balances as of June 30, 1942.....	\$464,066.53

Revolving Funds aggregating \$400.00 were verified by count of cash on hand and confirmation of balances on deposit in banks. We examined the vouchers evidencing the disbursements from these funds during the fiscal year under review and found all the disbursements were in order.



Accounts Receivable \$128,677.15 represents the ledger balances less reserves for uncollectible items, summarized as follows:

Uncollected Taxes, Penalties and Costs—secured by real estate	\$128,677.15	
Taxes of fiscal year ended June 30, 1942.....	\$ 47,891.31	
Taxes of prior fiscal years.....	77,415.56	
Penalties and Costs.....	3,370.28	
Uncollected Taxes, Penalties and Costs—not secured		Nil
Taxes of fiscal year ended June 30, 1942.....	\$ 15,215.31	
Taxes of prior fiscal years.....	133,692.20	
Total .....	\$148,907.51	
Less Reserve for unsecured taxes.....	148,907.51	
Other Accounts Receivable.....		Nil
Subvention for National Defense instruction, representing reimbursement due for expenditures therefor .....	\$118,531.45	
Salary repayments billed teachers.....	1,486.42	
Rental .....	40.00	
Total Other Accounts Receivable.....	\$120,057.87	
Less Reserve for Uncollectible Items.....	120,057.87	
Net Ledger Balance as of June 30, 1942—To Exhibit A		<u>\$128,677.15</u>

The taxes receivable as shown above were confirmed by reference to the records of the Controller.

Subvention for National Defense instruction, \$118,531.45, was accrued prior to June 30, 1942 as a charge against the Federal Government. Of this amount \$90,008.91 had been collected prior to October 1, 1942.

The School Department continued the policy of billing teachers for salary overpayments, as determined by litigation, only in the instances when such teachers left the service of the Department. Accordingly, \$1,486.42 represented the overpayments prior to July, 1932, to teachers who had left the service.

The San Francisco School District furnishes instruction to students from other California counties and charges the other counties for such tuition. It is the practice not to account these amounts on the ledger when billed, but to account for the amounts actually received from the outside counties.

Of the amounts billed for the fiscal year ended June 30, 1941 all was collected prior to June 30, 1942 except \$277.92 due from Amador County. The aggregate of the charges for tuition billed for the fiscal year ended June 30, 1942 was \$123,537.87.

Interfund Account Receivable \$5,000.00 represents an advance made in 1934 to the Department of Public Works for the purpose of providing that Department with a working balance for the purchase of supplies to be used in maintenance work for the School Department.

Deferred Charges \$365,792.78 comprised the items listed in Exhibit A.

Stores, \$199,941.54, represents the ledger balance of supplies on hand not distributed to schools, at cost, but excludes supplies distributed to schools prior to June 30, 1942, which remained on hand at the schools at that date. A physical inventory of stores was taken by the employees of the School Department on April 7, 1942. That inventory developed certain overages and shortages of a minor character and resulted in a net overage of \$3,329.74. The ledger accounts as of that date were adjusted to correspond therewith.

We reviewed the physical inventory record and procedures, tested pricings, tested computations and footings of the inventory in order to satisfy ourselves of its substantial accuracy. On September 2, 1942, we called at the General Storeroom at 1440 Harrison Street, San Francisco, and made a physical count of certain items there. The result of our count was compared

with the ledger record of such items and the count substantially verified the ledger balance at that time.

Shop inventory, \$9,899.10 represented the cost of materials at the shop and the cost of refinishing furniture in process of completion or completed and not distributed to schools at June 30, 1942.

Other supplies, \$3,701.94 was the cost of supplies purchased prior to June 30, 1942 for use after that date.

Unexpired insurance, \$15,885.01 was the amount reported to us by the insurance brokers, \$15,575.84 together with the unearned premium on boiler insurance, \$309.17, as of June 30, 1942.

Bond interest accrued—not due, \$136,917.91 was the amount of interest accrued as of June 30, 1942 from the date of the last matured coupons on School Department issues of the City and County of San Francisco.

Receipts not deposited with Treasurer until after June 30, 1942, \$194.47, are included in Deferred Charges at June 30, 1942. The charges by the School Department in June 1942 recorded by the Controller in July 1942, \$747.19, likewise are included in Deferred Charges at June 30, 1942.

Bonded Debt \$10,072,000.00 is the aggregate of School bonds outstanding at June 30, 1942 as shown by the records of the Controller, segregated as follows:

Year of Issue	Interest Rate	Principal Outstanding			
		Total	Matured	Due Within One Year	Due After One Year
1918	4½ %	\$ 5,000.00	\$ 5,000.00	\$ .....	\$ .....
1923	5 %	7,507,000.00	7,000.00	300,000.00	7,200,000.00
1934	3 %	600,000.00		300,000.00	300,000.00
1938	2 %	864,000.00		216,000.00	648,000.00
1938	1¾ %	647,000.00		Nil	647,000.00
1938	1½ %	320,000.00		64,000.00	256,000.00
1938	1¼ %	129,000.00		Nil	129,000.00
		<u>\$10,072,000.00</u>	<u>\$ 12,000.00</u>	<u>\$880,000.00</u>	<u>\$9,180,000.00</u>

On December 1, 1946, \$216,000.00 of the 1938—1¾ % bonds mature, and on December 1, 1947, \$64,000.00 of the 1938—1½ % bonds. Bonded debt was reduced \$1,292,000.00 by redemptions during the fiscal year ended June 30, 1942.

Bond Interest Payable \$154,710.41 comprises coupons matured prior to July 1, 1942, coupons maturing July 1, 1942 and interest accrued from the last coupon date to June 30, 1942 on the outstanding School bonds of the City and County of San Francisco.

Accounts Payable \$693,784.06 represents warrants outstanding against current funds and amounts due to trade creditors on purchase orders outstanding for which warrants had not been drawn prior to July 1, 1942.

Contingent liabilities are commented upon in this report after the comments on Surplus.

Interfund Accounts Payable \$246,457.26. We verified the Interfund accounts payable by reference to the records maintained in your Department and have summarized the balances on Exhibit A.

Special and Trust Funds \$17,177.79 represents the balance available in certain special and trust funds, as summarized on Exhibit A.

**Surplus—Excess of Assets Over Liabilities** \$42,539,432.90 comprises the balances of Current Surplus and Capital Surplus represented by Net Assets, as follows:

	Current Assets	Capital Assets
Cash .....	\$1,642,298.21	\$ 1,373.19
Less matured bonds, interest currently due and accounts payable.....	970,033.82	
Balance—available cash .....	\$ 672,264.39	\$ 1,373.19
Fixed capital properties.....		51,563,243.30
Less Bonded Debt due after June 30, 1942.....		10,060,000.00
Taxes receivable .....	128,677.15	
Stores and shop work.....	213,542.58	
Unexpired insurance .....	15,885.01	
Interfund account receivable.....	5,000.00	
Unadjusted Items at June 30, 1942—net.....	552.72	
Balances as of June 30, 1942—per Exhibit D.....	<u>\$1,034,816.41</u>	<u>\$41,504,616.49</u>

The Current Surplus and Capital Surplus at June 30, 1941 and at June 30, 1942 are reconciled on Exhibit D.

However the Current Surplus may be reduced by contingent liabilities as follows:

- 1—Test case pending before the District Court of Appeals involving possible judgments aggregating \$300,000.00.
- 2—Pending suits for vacation salaries involving possible judgments aggregating \$500,000.00.
- 3—Suits for injuries to students involving liabilities aggregating not in excess of \$15,000.00.

Judgment has been entered against the Unified School District for approximately \$41,000.00; interest at the rate of 7% per annum has been running for approximately 1½ years on this judgment. There are 189 separate cases that are involved, appeals in all of which have been taken to the District Court of Appeals and are now in the process of awaiting the opening brief from counsel representing the teachers. If all the teachers are wholly successful in their appeals, judgment could be entered against the District for approximately \$300,000.00. If the Board of Education is wholly successful in its appeal, the \$41,000.00 judgment would be wiped out. If the Appellate Court sustains the judgment of the Superior Court, the \$41,000.00 judgment would stand. The District's attorney advised that this case probably may reach final adjudication prior to June 30, 1943.

At the present time, pursuant to Court Order, a certified public accountant has been appointed as a referee for the purpose of reviewing the teachers' salary accounts affecting approximately 3,000 teachers. This group of suits is for alleged sums due for withheld vacation salaries. The litigants claim that approximately \$500,000.00 is owing with interest since 1930. The School District claims that there is no money owing. It is impossible to give any estimate as to the liability between these two extremes. The District's attorney advised that the final adjudication of this matter probably will not be obtained during the fiscal year ending June 30, 1943.

There are a number of suits pending at the present time involving injuries to students. The District's attorney advised that, in his opinion, \$15,000.00 would be ample to meet the entire liability which may arise out of these actions during the fiscal year ending June 30, 1943.

## STATEMENT OF REVENUES AND EXPENDITURES — EXHIBIT E

All revenue from taxes and other sources were verified by comparison of Treasurer's duplicate receipts with the ledger postings to the respective revenue accounts for the fiscal year ended June 30, 1942.

A comparative statement of Revenues, Operating Expenditures and Capital Expenditures for the fiscal years ended June 30, 1942 and June 30, 1941 is presented in Exhibit E of this report. The following is a summary thereof for the fiscal year ended June 30, 1942:

Total Revenues.....	\$11,768,691.14
Less Total Operating Expenditures.....	11,111,596.78
Balance—Excess of Revenues over Operating Expenditures.....	\$ 657,094.36
Less Net Capital Outlays from Revenues.....	310,754.35
Balance—Net Excess of Revenue credited to Surplus.....	<u>\$ 346,340.01</u>

We tested the computation of average daily attendance reported by the School Department to the State Superintendent of Schools, which is the basis of the apportionment of State Funds for Elementary Schools and for High Schools. We also tested the reports of the school principals of the average daily attendance computed for their respective schools for the fiscal year ended June 30, 1942 and all items tested appeared to have been correctly computed.

We examined duplicates of all bills rendered for tuition chargeable to other Counties and for physically handicapped children, covering instruction furnished during the fiscal year ended June 30, 1941. The following is a summary of these charges:

Tuition billed for students from other counties.....	\$164,881.30
Tuition billed for physically handicapped children.....	1,231.70
Total Charged.....	<u>\$166,113.00</u>
Less tuition collected prior to July 1, 1941.....	28.68
Balance Receivable July 1, 1941.....	<u>\$166,084.32</u>
Less Balance due from Amador County June 30, 1942.....	277.92
Balance—Collected during fiscal year ended June 30, 1942.....	<u>\$165,806.40</u>

The charges for instruction furnished during the fiscal year ended June 30, 1942 were computed and billed after June 30, 1942 and the collections therefrom will be accounted as revenue of the fiscal year ending June 30, 1943.

We examined monthly statements from the City Real Estate Department furnished by Mr. Joseph J. Phillips, accounting for all rentals received from School properties and compared the amounts shown thereon with the deposits with the Treasurer to the credit of the School Department. At June 30, 1942 there was an uncollected rent of \$40.00 due for the months of May 1942 and June 1942 and this amount is included in accounts receivable on Exhibit A.

Other receipts aggregating \$5,382.86 comprised:

Library fines.....	\$1,290.93
Certificate fees.....	622.00
Adult fees.....	<u>3,469.93</u>
	<u>\$5,382.86</u>

We reviewed the methods and procedures employed by the School Department in accounting purchase orders and the corresponding encumbrance of appropriation balances. Thereafter, we reviewed the methods and procedures of accounting invoices and converting the encumbrances into expenditures,

so that the actual disbursements were recorded on the general ledger of the School Department as soon as the warrant in payment thereof had been issued. The procedure for approval of purchase orders, approval of invoices and approval of warrants by the School Department and the Controller's office furnished an internal check at the time of issuance of the warrants to justify our acceptance of those disbursements as properly authorized and expended.

The largest expenditure of School funds is made for the salaries of teachers, maintenance and clerical staff. For the month of June 1942 we examined all pay rolls and compared all earnings shown thereon with the individual record card of each employee and found every item examined correctly recorded. Thereafter, certain individual warrants were selected and traced through the Treasurer's file of paid warrants to satisfy ourselves that the amounts earned had been paid to the respective individual employees. Every warrant called for was presented for our inspection and appeared to be in order.

#### FUNDS BALANCE SHEET — EXHIBIT C

The items shown on Exhibit C are in agreement with the records of the Controller and are in agreement with his Annual Report.

Exhibit B is a reconciliation of the amounts shown on the Funds Balance Sheet, Exhibit C, with corresponding amounts shown on Proprietary Balance Sheet, Exhibit A, as of June 30, 1942.

#### GENERAL

This examination was limited to an examination of the general accounts of the School Department relating to the receipts and expenditures of public funds. It was reported that the Student Body Funds and the Bread and Milk Fund also are handled through the School Department. The records relating to receipts and disbursements of Student Body Organizations, School Cafeterias and the furnishing of bread and milk to children are maintained in the office of the School Department or at the offices of the respective schools. It was reported to us that thorough audits of these accounts have been made regularly by the accounting staff of the School Department.

We acknowledge the courteous and willing cooperation of the accounting staff of the School Department, the warehouse staff of the School Department and by the staff in your office during the course of this examination.

Very truly yours,

BENJAMIN H. HICKLIN,  
Certified Public Accountant.



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A United School District)

EXHIBIT A — PROPRIETARY BALANCE SHEET AS OF JUNE 30, 1942

LIABILITIES AND SURPLUS

BONDED DEBT (Note A)	\$10,072,000.00
Bonds matured, not paid by Treasurer	12,000.00
Bonds due prior to June 30, 1943	880,000.00
Bonds due after June 30, 1943	9,180,000.00
BOND INTEREST PAYABLE (Note A)	154,710.41
Coupons matured, not paid by Treasurer	17,792.50
Coupons due July 1, 1942	9,000.00
Accrued interest, not due	127,917.91
ACCOUNTS PAYABLE	693,784.06
Warrants Outstanding—Current Funds	433,721.31
Trade Creditors	260,062.75
INTERFUND ACCOUNTS PAYABLE	246,457.26
Department of Public Works	129,317.45
Employees' Retirement System	105,589.65
Other City Departments	11,550.16
SPECIAL AND TRUST FUNDS	17,177.79
School Teachers' Sabbatical Leave	10,200.52
School Teachers' Permanent (Retirement)	6,782.70
School Teachers' Annuity	194.57
TOTAL LIABILITIES	\$11,184,129.52
SURPLUS—EXCESS OF ASSETS OVER LIABILITIES	42,539,432.90
Current Surplus—per Exhibit D (Note B)	1,034,816.41
Capital Surplus—per Exhibit D	41,504,616.49
TOTAL LIABILITIES AND SURPLUS	\$53,723,562.42

Note A—Items of Fixed Capital Properties, Bonded Debt, Bond Interest Payable and the related deposits with the Treasurer are not reflected on the ledger of the School Department, but are stated from the records of the Controller.

Note B—Contingent Liabilities are commented upon under Surplus in this report.

ASSETS

FIXED CAPITAL PROPERTIES (Note A)	\$51,563,243.30
Land	\$ 9,779,766.01
Buildings and Improvements	37,850,912.12
Equipment	3,932,565.17
Note: Above accounts measure the capital invested in existing school service property without consideration of depreciation. Equipment replacements are considered as current expenses.	
CASH	1,660,849.19
On deposit with Treasurer (Note A)	1,660,449.19
Revolving Funds	400.00
ACCOUNTS RECEIVABLE	128,677.15
Taxes Receivable	128,677.15
Total Delinquent Taxes	\$277,584.66
Less Reserve for Delinquent Taxes	148,907.51
Other Accounts	Nil
Subventions, Claims, etc.	120,057.87
Less Reserve for Doubtful	120,057.87
Items	120,057.87
INTERFUND ACCOUNT RECEIVABLE	5,000.00
Department of Public Works	5,000.00
DEFERRED CHARGES AND UNADJUSTED ITEMS	365,792.78
Stores	199,941.54
Shop Inventory	9,899.10
Other Supplies	3,701.94
Unexpired Insurance	15,885.01
Bond Interest Accrued, not due	136,917.91
Receipts deposited with Treasurer in July 1942	194.47
Charges by School Dept. in June 1942 recorded by Controller in July 1942	747.19
TOTAL ASSETS	\$53,723,562.42





CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT (A United School District)  
EXHIBIT B—RECONCILEMENT OF PROPRIETARY  
BALANCE SHEET WITH FUNDS BALANCE SHEET AS OF  
JUNE 30, 1942

ASSETS										LIABILITIES									
Fixed Capital Properties										Bond Interest and Accounts Payable									
\$ 51,563,243.30										\$ 10,072,000.00									
\$ 1,660,849.19										\$ 246,457.26									
\$ 128,677.15										\$ 848,494.47									
\$ 365,792.78										\$ 10,072,000.00									
\$ 5,000.00										\$ 10,072,000.00									
\$ 365,792.78										\$ 10,072,000.00									
Deferred Charges										Bond Debt									
\$ 118,531.45										\$ 118,531.45									
Due from Federal Government for Vocational Training										Purchase Orders and Other Encumbrances:									
										Total per Controller									
\$ 260,062.75										\$ 406,613.62									
Matured										Balance not matured									
\$ 146,550.87										\$ 146,550.87									
\$ 51,563,243.30										\$ 10,072,000.00									
\$ 1,660,849.19										\$ 246,457.26									
\$ 1247,208.60										\$ 995,045.34									
\$ 365,792.78										\$ 10,072,000.00									
Fixed Capital less Bonded Debt										10,060,000.00									
51,563,243.30										12,000.00									
Bonds matured, not paid by Treasurer										17,792.50									
Bond Interest due, but not paid by Treasurer										9,000.00									
Bond Interest due July 1, 1942										127,917.91									
Bond Interest accrued, not due										433,721.31									
Warrants Outstanding										400.00									
Revolving Funds										213,542.58									
Stores, Shop Inventory and Supplies										15,885.01									
Unexpired Insurance										18,873.54									
Abatement of Equipment as of June 30, 1942										194.47									
Receipts not deposited with Treasurer until after June 30, 1942										747.19									
Charges by School Department in June 1942 recorded by Controller in July 1942																			
\$ 51,563,243.30										\$ 10,072,000.00									
\$ 463,913.81										\$ 588,431.72									
\$ 18,873.54										\$ 194.47									
\$ 365,792.78										\$ 10,072,000.00									
Nil										Nil									
\$ 5,000.00										\$ 16,983.32									
\$ 228,335.06										\$ 246,457.26									
\$ 1,196,935.38										\$ 406,613.62									
Nil										Nil									
\$ 51,563,243.30										\$ 760,216.24									
LESS TOTAL DEDUCTIONS										Unappropriated Balances									
										594,669.33									
										Unencumbered Appropriations									
										165,546.91									
										Surplus and Reserves Available in Fund Balances									
										760,216.24									

FUND BALANCES—PER EXHIBIT C



CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT (A Unified School District)

EXHIBIT C—FUNDS BALANCE SHEET AS OF JUNE 30, 1942

(As per the accounts of the Controller)

ASSETS

	Current Funds	1938 School Bond	P. W. A. School Docket No. 1578	School Teachers' Sabbatical Leave	School Teachers' Permanent Fund	Teachers' Annuity Deposit	Totals To Exhibit B
Available Cash.....	\$ 1,178,578.87	\$ 154.05	\$ 1,219.14	\$ 10,200.52	\$ 6,620.10	\$ 162.70	\$ 1,196,935.38
Accounts Receivable.....	228,335.06	.....	.....	.....	.....	.....	228,335.06
Interfund Account Receivable.....	5,000.00	.....	.....	.....	.....	.....	5,000.00
<b>TOTAL ASSETS.....</b>	<b>\$ 1,411,913.93</b>	<b>\$ 154.05</b>	<b>\$ 1,219.14</b>	<b>\$ 10,200.52</b>	<b>\$ 6,620.10</b>	<b>\$ 162.70</b>	<b>\$ 1,430,270.44</b>

LIABILITIES AND SURPLUS

Accounts Payable.....	\$ 406,613.62	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ 406,613.62
Interfund Accounts Payable.....	246,457.26	.....	.....	.....	.....	.....	246,457.26
Special and Trust Funds.....	.....	.....	.....	10,200.52	6,620.10	162.70	16,983.32
Unappropriated Balances.....	594,515.28	154.05	.....	.....	.....	.....	594,669.33
Unencumbered Appropriations.....	164,327.77	.....	1,219.14	.....	.....	.....	165,546.91
<b>TOTAL LIABILITIES AND SURPLUS.....</b>	<b>\$ 1,411,913.93</b>	<b>\$ 154.05</b>	<b>\$ 1,219.14</b>	<b>\$ 10,200.52</b>	<b>\$ 6,620.10</b>	<b>\$ 162.70</b>	<b>\$ 1,430,270.44</b>

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

EXHIBIT D  
STATEMENT OF SURPLUS ACCOUNTS  
For the Fiscal Year Ended June 30, 1942

CURRENT SURPLUS

BALANCE JULY 1, 1941—PER PRIOR REPORT.....	\$ 941,242.64
ADD NET EXCESS OF REVENUES FOR THE FISCAL YEAR ENDED JUNE 30, 1942—PER EXHIBIT E.....	346,340.01
TOTAL .....	<u>\$ 1,287,582.65</u>
LESS NET REALIZATION ON PRIOR YEARS' TAXES RECEIVABLE .....	6,308.98
Taxes Receivable—June 30, 1941.....	\$134,986.13
Taxes Receivable—June 30, 1942.....	<u>128,677.15</u>
BALANCE .....	<u>\$ 1,281,273.67</u>
LESS INTERFUND ACCOUNTS PAYABLE AT JUNE 30, 1942 .....	<u>246,457.26</u>
BALANCE—CURRENT SURPLUS AT JUNE 30, 1942—TO EXHIBIT A .....	<u><u>\$ 1,034,816.41</u></u>

CAPITAL SURPLUS

BALANCE—JULY 1, 1941—PER PRIOR REPORT.....	\$ 40,787,213.26
ADDITIONS	
Bonded Debt matured in fiscal year ended June 30, 1942.....	1,055,000.00
Net Capital Outlays from current revenues—per Exhibit E....	310,754.35
Valuation of Administration Building, less property sold and discarded—Net per Controller's records.....	50,741.88
Proceeds of sales of land and buildings—per Exhibit E.....	<u>907.00</u>
TOTAL .....	<u>\$ 42,204,616.49</u>
LESS TRANSFER FROM 1938 SCHOOL BOND FUND.....	<u>700,000.00</u>
BALANCE—CAPITAL SURPLUS AT JUNE 30, 1942—TO EXHIBIT A .....	<u><u>\$ 41,504,616.49</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**SCHOOL DEPARTMENT**  
**(A Unified School District)**

**EXHIBIT E**  
**STATEMENT OF REVENUES AND EXPENDITURES**

**REVENUES**

	Fiscal Year Ended	
	June 30, 1942	June 30, 1941
PROPERTY TAXES AND PENALTIES.....	\$ 6,558,694.68	\$ 6,047,589.87
REVENUES RECEIVED THROUGH STATE OF CALIFORNIA:		
Elementary Schools.....	2,238,704.98	2,249,535.25
High Schools .....	2,394,962.41	2,325,057.87
Totals .....	\$ 4,633,667.39	\$ 4,574,593.12
OTHER REVENUES		
Apportionment of Federal and State Vocational Education Funds.....	38,979.08	32,664.35
Reimbursement for Civil Aeronautics and National Defense Vocational Instruction..	262,485.56	7,645.22
Tuition from Other Counties.....	165,806.40	141,709.06
Rents Received.....	103,675.17	103,746.92
Other Receipts.....	5,382.86	1,981.45
TOTAL OTHER REVENUES.....	\$ 576,329.07	\$ 287,747.00
TOTAL REVENUES.....	\$ 11,768,691.14	\$ 10,909,929.99

**EXPENDITURES**

OPERATING EXPENDITURES—PER SCHEDULE 1		
Administration .....	\$ 277,656.95	\$ 272,234.06
Instruction—Salaries .....	8,185,652.06	7,822,612.81
Instruction—Supplies, etc. ....	387,057.34	318,763.37
Auxiliary Agencies .....	71,948.44	43,573.68
Coordinate Activities .....	55,453.81	34,827.07
Operation .....	975,306.44	917,382.92
Maintenance .....	524,972.48	432,659.79
Fixed Charges .....	633,549.26	629,707.78
TOTAL OPERATING EXPENDITURES— PER SCH. 1.....	\$ 11,111,596.78	\$ 10,471,761.48
BALANCE—EXCESS OF REVENUES OVER OPERATING EXPENDITURES.....	\$ 657,094.36	\$ 438,168.51
CAPITAL OUTLAYS		
Total Capital Expenditures—per Sch. 1.....	\$ 314,500.91	\$ 1,679,780.65
Less Credits:		
Sales of Land and Buildings.....	907.00	31,390.00
Expenditures from P.W.A. Docket No. 1578	2,839.56	1,390,326.61
TOTAL CREDITS TO CAPITAL EXPENDITURES .....	\$ 3,746.56	\$ 1,421,716.61
NET CAPITAL OUTLAYS FROM REVENUES .....	\$ 310,754.35	\$ 258,064.04
BALANCE—NET EXCESS OF REVENUES —TO EXHIBIT D.....	\$ 346,340.01	\$ 180,104.47

The foregoing statement does not include revenues from taxes applicable to bond interest and redemption or the related expenditures therefor.

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

SCHEDULE 1  
ANALYSIS OF EXPENDITURES

ADMINISTRATION	Fiscal Year Ended	
	June 30, 1942	June 30, 1941
Salaries .....	\$ 240,401.19	\$ 235,100.91
Supplies .....	14,120.00	16,936.18
Traveling .....	3,413.53	3,387.63
Other Expense.....	19,722.23	16,809.34
<b>TOTALS</b> .....	<b>\$ 277,656.95</b>	<b>\$ 272,234.06</b>

INSTRUCTION—SALARIES

Supervision .....	\$ 127,556.69	\$ 96,599.32
Kindergarten .....	209,611.34	203,938.97
Elementary Day .....	2,921,625.03	2,936,793.94
Special Schools .....	139,070.33	137,756.48
Junior High .....	1,313,151.07	1,302,107.74
High Day .....	2,567,404.59	2,479,306.06
High Evening .....	262,918.33	256,709.44
Junior College .....	410,342.65	388,508.05
National Defense .....	233,972.03	20,892.81
<b>TOTALS</b> .....	<b>\$ 8,185,652.06</b>	<b>\$ 7,822,612.81</b>

INSTRUCTION—SUPPLIES, ETC.

Kindergarten Supplies .....	2,786.14	3,080.62
Educational Supplies .....	265,235.68	203,610.48
Books .....	79,769.88	80,524.27
Traveling .....	3,861.88	2,252.08
Other Expenses of Instruction.....	35,403.76	29,295.92
<b>TOTALS</b> .....	<b>\$ 387,057.34</b>	<b>\$ 318,763.37</b>

AUXILIARY AGENCIES

Transportation of Children.....	28,530.00	30,512.08
Tuition Paid Other Counties.....	2,878.76	2,789.84
Community Centers .....	32,835.51	3,461.25
Other Auxiliary Agencies.....	7,704.17	6,810.51
<b>TOTALS</b> .....	<b>\$ 71,948.44</b>	<b>\$ 43,573.68</b>

COORDINATE ACTIVITIES

Compulsory Education .....	33,449.95	34,827.07
Child Guidance Service Centers.....	22,003.86	
<b>TOTALS</b> .....	<b>\$ 55,453.81</b>	<b>\$ 34,827.07</b>

Forward

**CITY AND COUNTY OF SAN FRANCISCO**  
**SCHOOL DEPARTMENT**  
**(A Unified School District)**

**SCHEDULE 1 (Continued)**

**ANALYSIS OF EXPENDITURES**

OPERATION	(Forward)	Fiscal Year Ended	
		June 30, 1942	June 30, 1941
Janitors' and Engineers' Salaries.....	\$	628,841.83	\$ 594,120.33
Janitors' and Engineers' Supplies.....		43,702.78	40,996.22
Gas and Electricity.....		91,809.31	80,684.18
Fuel .....		52,901.62	48,301.31
Water .....		44,944.57	46,588.57
Other Expenses of Operation.....		113,106.33	106,692.31
<b>TOTALS .....</b>	<b>\$</b>	<b>975,306.44</b>	<b>\$ 917,382.92</b>
<b>MAINTENANCE</b>			
Repairs to Buildings and Grounds.....		352,437.81	292,764.66
Repairs to Janitors' Equipment.....		64,452.10	52,068.63
Repairs to Educational Equipment.....		108,082.57	87,723.03
Other Expenses of Maintenance.....			103.47
<b>TOTALS .....</b>	<b>\$</b>	<b>524,972.48</b>	<b>\$ 432,659.79</b>
<b>FIXED CHARGES</b>			
Contributions to Retirement System—City....		560,410.35	546,311.75
Contributions to Retirement System—State..		36,738.00	35,706.00
Workmen's Compensation and Accident			
Claims .....		8,940.15	11,092.13
Insurance .....		20,632.40	21,253.00
Rents Paid .....		10,655.19	4,860.74
Teachers' Back Salary Adjustments.....		2,322.94	8,620.76
Other Expenses of Fixed Charges (Net).....		6,149.77	1,863.40
<b>TOTALS .....</b>	<b>\$</b>	<b>633,549.26</b>	<b>\$ 629,707.78</b>
<b>TOTAL OPERATING EXPENDITURES—</b>			
<b>TO EXHIBIT E.....</b>	<b>\$</b>	<b>11,111,596.78</b>	<b>\$ 10,471,761.48</b>
<b>CAPITAL OUTLAYS</b>			
Purchases of Land.....	\$	34,225.83	\$ 4,222.50
Construction of New Buildings, etc.....		123,131.66	1,205,743.65
Equipment for New Buildings.....		62,772.89	410,051.45
Additions and Betterments to Old Buildings		10,812.54	11,020.51
Equipment for Old Buildings.....		83,557.99	48,742.54
<b>TOTAL CAPITAL OUTLAYS—</b>			
<b>TO EXHIBIT E.....</b>	<b>\$</b>	<b>314,500.91</b>	<b>\$ 1,679,780.65</b>
<b>GRAND TOTAL EXPENDITURES.....</b>	<b>\$</b>	<b>11,426,097.69</b>	<b>\$ 12,151,542.13</b>





**Treasure Island Airport**  
**Report on Examination of Accounts**  
**For the Fiscal Year Ended June 30, 1942**

(Wherever italic figures appear in this Report, they indicate red figures)

ERNST & ERNST  
Accountants and Auditors  
SYSTEM SERVICE  
San Francisco

July 27, 1942.

Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Sir:

In accordance with your instructions, issued June 19, 1941, we have been making an examination relating to the transactions and accounts of the public service enterprise herein designated as Treasure Island Airport, sometimes herein referred to as Yerba Buena Shoals and often referred to in data inspected by us as Yerba Buena Shoals Airport, located at Treasure Island, San Francisco Bay, California. Our instructions originally included an examination relating to the assets and liabilities, as at June 30, 1941 and the investigation of the records with respect to the acquisition, custody and disposition of properties and improvements of the designated airport.

In order to submit a complete report, if same were desired, it would be necessary that we have the benefit of legal opinions on matters herein referred to and on other matters not specifically mentioned. Some of these questions have been submitted to the City Attorney, but his opinions have not been forthcoming even though requested sometime ago. Also, it would be necessary to have an appraisal of the existing structures and improvements to determine which of the structures and equipment were still remaining and to determine the fair replacement value of such remaining assets. It was intended that such an appraisal would be made by the Public Utilities Commission during the year commencing July 1, 1942, and that permanent records with regard to the assets of Treasure Island Airport would be established on the basis of said appraisal and the information developed by our examination. However, under date of April 17, 1942, the Navy Department acquired title to Treasure Island by judgment following the filing of a Declaration of Taking and a Complaint in Condemnation and now it is considered unnecessary to further pursue these matters with a view to completion; instead, we have been requested to report on our examination as made thus far.

As indicated in the first paragraph of this report our examination was made primarily as at June 30, 1941, but we include hereinafter, to the extent that it has come to our attention, certain information concerning events which have transpired since June 30, 1941, but we have no information concerning changes in the physical status of assets which may have occurred since Treasure Island was taken over, under agreement, by the Navy Department as at February 3, 1941.

During our examination, we have reviewed the system of internal control and the accounting procedures relating to matters herein referred to as P.W.A. Docket No. 1427, and without making a detailed audit of the transactions relating thereto, we have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Data relating to Work Projects Administration projects, and data relating to improvements constructed by San Francisco Bay Exposition, were submitted to us. We did not, however, have access to the records of Federal Works Agency, Work Projects Administration, nor to those of San Francisco Bay Exposition.

Mr. David F. Supple, Consultant and Statistician to the Grand Jury participated in the examination.

#### BRIEF HISTORY

Yerba Buena Shoals were transferred to the City and County of San Francisco by an act of the legislature of the State of California, approved June 13, 1933. The people of the City and County of San Francisco at a special election held May 2, 1935, approved the Exposition later held on the shoal site. San Francisco Bay Exposition, a nonprofit organization, incorporated under the

laws of the State of California, July 24, 1934, was appointed agent of the City and County of San Francisco to plan, arrange and conduct the exposition on the shoal site, and the shoals, thereafter reclaimed and improved, were leased to San Francisco Bay Exposition under date of August 22, 1936, for fair and exposition purposes, until December 31, 1940. Under the terms of the lease, the lessee was obligated to remove from Treasure Island the temporary improvements therein described, and the work of demolition and removal was to be accomplished by July 31, 1941. The lessee contracted with Dulien Steel Products, Inc. for the demolition and removal of designated improvements, and certain of the buildings and improvements so acquired by the demolition contractor were purchased by the Navy Department of the United States of America about May 17, 1941. The Navy Department, by an agreement dated February 3, 1941, occupied Treasure Island for use in the national defense program, excepting that part thereof previously leased to Pan American Airways Company, under date of August 22, 1938. The Navy Department, on April 17, 1942 acquired ownership of the shoal site and the improvements thereon by judgment following the filing of a Declaration of Taking and a Complaint in Condemnation.

### GENERAL EXPLANATIONS

Wherever the initials W. P. A. appear herein, they are intended to refer to Works Progress Administration later administered as the Work Projects Administration and the initials P. W. A. are used in reference to the Federal Emergency Administration of Public Works, later administered as the Public Works Administration. After July 1, 1939, the later designated federal agencies operated under the Federal Works Agency.

Reference herein to a proposed current project for the improvement of Treasure Island relates to W. P. A. official project No. 165-1-08-247, dated December 20, 1940, sponsored by the United States Navy, 12th Naval District.

The description of the properties is herein set forth as prepared from data and information obtained by Division of Utility Audits of the Controller's office from Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau of the Public Utilities Commission.

The data with regard to W. P. A. projects is included herein as reported by Work Projects Administration and Corps of Engineers Office, War Department, San Francisco, to the Controller's office of the City and County of San Francisco.

The cost of improvements constructed by and at the expense of the San Francisco Bay Exposition are stated herein as set forth in a schedule entitled, Exposition Company's cost of Permanent Improvements on Treasure Island, dated June 21, 1941, which was made available to the Controller's office by Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau of the Public Utilities Commission.

### LAND GRANT

By an act of the legislature of the State of California, approved June 13, 1933, the tide lands and submerged lands herein referred to were granted to the City and County of San Francisco. The lands, lying north of Yerba Buena Island, are more particularly set forth and described in the act granting said tide lands to the City and County of San Francisco. Among other conditions, the said lands were to be used only for the establishment, improvement and conduct of a public airport and generally for the promotion and accommodation of air navigation, and to that end the City and County of San Francisco was authorized to reclaim, fill and raise such portion of said lands as was suitable to a convenient and appropriate base or level and surround same with an adequate bulkhead or retaining wall. The act was amended May 9, 1935 to permit the use of the land for exposition or fair purposes and was amended December 5, 1940 to permit the use of the land or any part thereof by the United States of America for military or naval purposes.

Costs for expenses, if any were incurred, in the acquisition of the lands, are not included herein.

The Navy Department acquired ownership of the shoal site and the improvements thereon by judgment following the filing of a Declaration of Taking, and Complaint in Condemnation, on April 17, 1942.

#### APPOINTMENT OF SAN FRANCISCO BAY EXPOSITION AS AGENT TO PLAN, ARRANGE AND CONDUCT AN EXPOSITION

The City and County of San Francisco, through departments thereof, on various dates, made certain applications to the Works Progress Administration for allotments of funds and to Federal Emergency Administration of Public Works for a grant to aid in financing certain described projects which had as their objective the construction of a sand fill and sea wall on Yerba Buena Shoals and certain improvements thereon to create on the Shoals a permanent airport for the City and County of San Francisco.

Under date of November 6, 1935, San Francisco Bay Exposition was appointed agent of the City and County of San Francisco to plan, arrange and conduct an exposition on Yerba Buena Shoals. In consideration of its recognition and appointment as agent and in consideration of a lease of said site to it for the purposes of the exposition, the San Francisco Bay Exposition made contributions for the prosecution of the various projects. The San Francisco Bay Exposition had no authority, however, to incur any obligation on the part of the City and County of San Francisco.

The costs of reclamation and improvement of Yerba Buena Shoals as then estimated was the sum of \$5,437,491.00, of which an amount not to exceed \$4,349,992.00 was to be supplied out of W. P. A. funds and for an amount not to exceed \$1,087,499.00, the City and County of San Francisco stood as sponsor. Also, the then estimated cost of the items of work to be done under the P. W. A. project was the sum of \$4,209,670.00, of which an amount not to exceed \$1,894,324.00 was to be supplied out of P. W. A. funds and for an amount not to exceed \$2,315,346.00, the City and County of San Francisco stood as sponsor.

The contributions which the San Francisco Bay Exposition was then to make to the costs of the works were the amounts set forth in the foregoing paragraph for which the City and County of San Francisco stood as sponsor. Subsequently, certain of the allotments were altered as to amounts and projects and certain additional allotments were made by Work Projects Administration. In each case San Francisco Bay Exposition assumed the obligation of the sponsor, the City and County of San Francisco. The actual contributions by San Francisco Bay Exposition in this connection and the additional expenditures made by it for other improvements, are set forth in the following summary and are hereinafter more fully commented upon.

#### TRANSFER OF VACANT LOT TO PUBLIC UTILITIES COMMISSION

The San Francisco Unified School District transferred a vacant lot, as described in resolution of the Board of Supervisors, approved November 26, 1935, to the Public Utilities Commission for a period of five years, beginning November 2, 1935, subject to the condition that the Commission without cost to the District, construct on the lot a building costing not less than \$50,000.00, and also subject to the condition that at the expiration of the said five years all improvements made upon the described property by the Public Utilities Commission would revert to the San Francisco Unified School District.

The subject parcel of land is hereinafter referred to as Bush Street lot and the building erected thereon as an item of work under P. W. A. Docket No. 1427 hereinafter commented upon, is referred to as Administration Building. The cost of constructing this building is the subject of later comments.

#### LEASE OF YERBA BUENA SHOALS AND PROPERTY AT BUSH AND STOCKTON STREETS FOR EXPOSITION PURPOSES

Yerba Buena Shoals accepted by the City and County of San Francisco from the State of California and thereafter reclaimed and improved, and the parcel of land in the City and County of San Francisco herein referred to as

the Bush Street lot, the building constructed thereon and the improvements on Yerba Buena Shoals were leased August 22, 1936 to San Francisco Bay Exposition for fair and exposition purposes for a term not to extend beyond December 31, 1940. The lease, as authorized by resolution of the Board of Supervisors, provided among other things that all buildings, structures and improvements now or hereafter placed on the shoal lands, designed to meet the temporary needs of a fair and exposition, other than those specified in the lease as permanent improvements, were temporary improvements.

The San Francisco Bay Exposition was authorized and required in the subject lease to remove all temporary improvements from the shoal lands and was entitled to retain for its own use all materials and whatever salvage values the material had which were so removed. San Francisco Bay Exposition also was authorized to construct temporary structures for purposes of the fair and exposition. Question has been raised as to the propriety of these provisions of the lease with particular regard to possible conflict with certain provisions of law. In an opinion rendered to the Controller under date of March 18, 1942, relative to the propriety of the removal of horticultural materials which were defined in the lease as temporary improvements, the City Attorney stated in part . . . "the City had a perfect right to agree with the Exposition Company that, at the expiration of the lease, these materials could be removed irrespective of whether said materials were owned by the City or by the Exposition Company. In other words, the City permitted the Exposition to be constructed on Treasure Island and, if it desired to save itself the trouble of removing the temporary improvements at the expiration of the lease, it had the right to do so and permit the Exposition Company to make the removal and salvage what it could out of the materials."

The land fill and rock embankment, the two hangar buildings, the terminal building and all pavements, drainage systems, water supply systems and electric supply system for serving electric energy for heating, lighting or power purposes to the said terminal building and to said two hangar buildings, are referred to in the subject lease as permanent improvements.

#### SUMMARY SHOWING ITEMS OF WORK RELATING TO CONSTRUCTION OF TREASURE ISLAND AIRPORT

The items of work relating to the construction of Treasure Island Airport, including those items intended more specifically to be for purposes of the Golden Gate International Exposition, are set forth in the following summary. The summary shows the identity of the items of work in general classifications and such items are more comprehensively commented upon hereinafter, but the summary is submitted mainly to set forth the sources of funds and the aggregate totals from each source. The column captioned Sponsor indicates the contributions which the San Francisco Bay Exposition made to the costs of the various items of work for which the City and County of San Francisco stood as sponsor. The amounts set forth opposite each item of work in the total column reflect the cost of the items or project upon completion as hereinafter commented upon.



Number	Identity	Federal Government	City and County of San Francisco	Sponsor	Total
65-03-1733	Sand fill and sea wall	\$3,039,785.83	\$760,475.68		\$3,800,261.51
65-03-1788	Road and trestle	303,474.39	78,025.54		381,499.93
65-03-1790	Reservoir and water system	197,536.42	49,384.60	\$6,190.25	253,111.27
65-03-1789	Architectural and engineering	189,709.50	218,332.42		408,041.92
465-03-2-23	Landscaping	740,229.00	615,764.00		1,355,993.00
665-08-2-70	Landscaping	170,304.00	198,616.00		368,920.00
65-03-1787	Landscaping	396,651.14	119,523.75		516,174.89
		\$5,037,690.28	\$2,040,121.99	\$6,190.25	\$7,084,002.52
Federal Emergency Administration of Public Works Project—P. W. A. Grant	Construction of buildings and other facilities for the airport	\$1,894,324.00	\$2,414,101.96	\$12,233.00	\$4,320,658.96
	Improvements Constructed by and at the Expense of San Francisco Bay Exposition				
	Rock fill, West sea wall				\$11,611.76
	Pavements				323,938.10
	Garden loam				100,068.88
	Improvements to East hangar				382,437.97
	Improvements to East hangar				40,259.52
	Underpinning, West hangar				16,508.84
	West end wall of West hangar				7,199.67
	Dash coating, Air Terminal Building				3,548.00
	Administrative offices, Air Terminal Building				55,268.92
	Painting hardwood, Air Terminal Building				992.88
	Service roads				131,709.96
	Storm sewers				168,103.44
	Connecting lines to catch basins and downspouts				32,071.49
	Sanitary sewers				72,924.61
	Outfall sewer				8,020.47
	High pressure water system				127,465.85
	Domestic water system				53,862.61
	Pipe line changes				5,568.63
	Purchase and installation of fire hydrants				23,476.24
	Fountain equipment, South gardens				4,986.02
	Concrete vault, South gardens				3,779.96
	Sub station equipment and feeder lines, estimated (remaining portion)				25,000.00
	Permanent main on causeway				6,021.33
	Navy water supply				3,849.15
	Road and roadway structures				72,693.80
					\$1,681,368.10
					\$1,681,368.10
					\$9,942.19
					\$13,095,971.77
					\$6,932,014.28
					\$4,454,223.95
					\$28,365.44
					\$1,681,368.10
					\$13,095,971.77

NOTE (A): San Francisco Water Department, \$6,190.25, San Francisco for WPA projects, \$9,942.19

funds appropriated by the City and County of San Francisco





## COMMENTS RELATING TO ITEMS OF WORK AND SCOPE OF EXAMINATION

The following comments relate to the items of work set forth in the foregoing summary and to the scope of our examination:

### Construction of Sand Fill and Sea Wall

WPA Official Project No. 65-03-1733

Cost funded by federal funds.....	\$3,039,785.83
San Francisco Bay Exposition.....	760,475.68

The City and County of San Francisco had this work approved as a Works Progress Administration project, under proposal dated August 30, 1935. Under date of February 5, 1936, the Secretary of War approved the request of the Administrator of the Works Progress Administration that the execution of the project be undertaken by the Corps of Engineers, U. S. Army. The project was completed August 24, 1937, at the total cost of \$3,800,261.51, which amount included the cost of construction of the base of the causeway (connecting Yerba Buena Island with Treasure Island), estimated by the Corps of Engineers, U. S. Army, in the amount of \$75,000.00.

Historical and technical data concerning the project are given in the report, undated, of the Corps of Engineers, U. S. Army, San Francisco District, entitled "Yerba Buena Shoal Reclamation Project." In this report, the area of Treasure Island is shown as 396.67 acres and the area of the causeway as 3.81 acres.

The work under this project embraced the construction of a rock sea wall, and a sand fill dredged from borrow areas, to reclaim a portion of the submerged lands and tidelands granted by the State of California to City and County of San Francisco, and to construct the base of the causeway, on submerged lands and tide lands owned by the United States of America, thus connecting the reclaimed area with Yerba Buena Island. The property thus reclaimed, exclusive of the causeway, is known as Treasure Island.

In constructing the sand fill, one of the borrow areas used was that area located between Yerba Buena Island and Treasure Island, which was dredged as a part of the operations under this project, and as a result thereof a lagoon was formed which accommodates sea planes and other water craft. The extent of this lagoon is stated by the Public Utilities Commission as 147.96 acres, of which the City and County of San Francisco owned 48% or 70.96 acres.

According to the report of the Corps of Engineers, sufficient excess fill was placed to maintain until 1940 the project grade of 13 feet above mean lower low water.

In the same report it was recognized that the San Francisco Bay Exposition made engineering studies in connection with this work of reclamation and executed a design of the fill. However, its design was not adopted and no cost for this work is included under this caption.

As reported by the Corps of Engineers, September 2, 1941, to the Controller's Office of the City and County of San Francisco, there were no expenditures made from federal funds, other than the stated cost chargeable to this project. The stated cost therefore includes engineering work performed in connection with the project by federal agencies.

### Road and Trestle

WPA Official Project No. 65-03-1788

Cost funded by federal funds.....	\$303,474.39
San Francisco Bay Exposition.....	78,025.54

This project was constructed under the direction of the Corps of Engineers, U. S. Army, San Francisco, California.

This road traverses a portion of Yerba Buena Island northerly from the San Francisco-Oakland Bay Bridge, which area is under the control of the Navy Department, and is a link between the upper and lower decks of the bridge

and the causeway leading onto Treasure Island. The road and its supporting trestle were constructed and located under Revocable Permit dated January 13, 1938, from the United States of America, through the Secretary of the Navy.

The rights of way granted under this Permit, and traversed by this road, are designated as permanent and temporary. The permanent right of way expires when it is no longer needed for the purpose for which it was granted—(i.e., access to Treasure Island while it is an airport). The temporary right of way, granted for access to the Island during the Exposition, has expired and the permittee must remove all temporary highways and appurtenant structures, restore the site to its original condition as nearly as practicable, and return the site to the permittor.

This permit was granted upon the condition, among others, that the State of California had agreed to the necessary connections to the San Francisco-Oakland Bay Bridge. The connections to the upper and lower decks of this bridge and the erection of the supporting structures on the bridge right of way (wooden trestle and overhead steel span) were made under authority granted in an agreement dated October 15, 1937 by and between the State of California, the San Francisco Bay Exposition and the City and County of San Francisco. Under this agreement the bridge connections and supporting structures, except the lower deck connecting roadway, must be removed by the Exposition Company (and certain restoration work performed). Permission was granted to maintain these connections and overhead crossing until December 31, 1940.

In the agreement with the State of California, the Exposition Company assumed all responsibility for the removal of the connections to the upper decks of the bridge. In an agreement with the City and County of San Francisco dated December 7, 1937, the Exposition Company assumed responsibility for performance of conditions relative to the temporary right of way from the Secretary of the Navy.

The stated cost, as reported by the Corps of Engineers Office, includes the cost of the finish grading and surfacing of the causeway, as well as the roadway on Yerba Buena Island.

On June 18, 1941, and on August 30, 1941, the Public Utilities Commission made application to the Navy Department for a new and permanent right of way for a road on this part of Yerba Buena Island (but not on the same alignment as this road) and to the State of California for permanent rights for bridge connections and supporting structures for a proposed new road.

To indicate the extent of this road and the rights of way, the following is descriptive of this road and trestle:

The roadway on Yerba Buena Island north of the San Francisco-Oakland Bay Bridge is in general approximately sixty feet wide, providing six lanes for traffic. The three inner lanes are on permanent right of way and in general are on solid ground in cut, or on a fill retained by a wooden bulkhead. The three outer lanes are located on the temporary right of way and are in general on wooden trestle.

That portion of the roadway on temporary right of way is to be entirely removed, including trestle work and other structures and the cuts refilled and ground restored to its original condition insofar as is practicable. This will leave the three inner traffic lanes intact. The present outside curb and rail are to be removed in to the edge of the permanent roadway and securely fastened in place in a satisfactory manner, using whatever new material is necessary to give finally and completely a continuous railing on both sides of the permanent roadway.

The roadway leading to the upper deck of the San Francisco-Oakland Bay Bridge and to the overhead steel span crossing the San Francisco-Oakland Bay Bridge, together with their entire supporting structures are to be removed leaving only the present roadway to the lower deck.

Only a small portion of demolition work, hereinbefore described, had been accomplished at June 30, 1941.

Under an agreement dated March 21, 1942, between Public Utilities Commission of the City and County of San Francisco and the Federal Works Ad-

ministrator, this road is currently being reconstructed and realigned. It is expected that portions of the original three lane permanent roadway, cuts, fills and drainage system will be used in this project.

### Reservoir and Water System

#### WPA Official Project No. 65-03-1790

Cost funded by federal funds.....	\$197,536.42
San Francisco Bay Exposition.....	49,384.60
San Francisco Water Department.....	6,190.25

Under this project, the water system to supply Treasure Island and Yerba Buena Island with fresh water from San Francisco was constructed under supervision of the Corps of Engineers, U. S. Army. This system included the following units:

A concrete reservoir of 3½ million gallons capacity, situated on the Northwesterly part of Yerba Buena Island.

A pipeline, installed on the San Francisco-Oakland Bay Bridge, running from the pumping plant located in the base of Pier W-1, along the bridge structure, to a point on Yerba Buena Island at the approach road to Treasure Island, thence to a point (55 feet) from the center line of the Bridge.

A pipeline on Yerba Buena Island, from the point of ending described in the item preceding, to the reservoir, described in the first item.

A pipeline, from the reservoir to a point at the junction of the causeway and Yerba Buena Island.

A pumping station located in the base of Bridge Pier W-1, situated on the mainland near the intersection of the Embarcadero and Spear Street, which receives water from the San Francisco Water Department, and pumps it into the reservoir described under the first item through the pipelines described under the second and third items. The capacity of this pumping plant is 2½ million gallons daily.

In connection with this system, a construction road was built on Yerba Buena Island for access purposes, only, during the construction period. The cost of this road is absorbed in the units of the system and is not set forth as a separate item.

The Engineering force of the San Francisco Water Department designed the water system, as constructed hereunder, except the Reservoir. The amount of \$6,190.25 represents the cost of this work in the design and planning of this system and said costs were borne by the San Francisco Water Department.

The San Francisco Bay Exposition designed the reservoir as constructed hereunder and the engineering work was performed under WPA Project No. 65-03-1789 entitled "Architectural and Engineering." A portion of the cost under Project No. 65-03-1789, representing the estimated value of this engineering work, would be properly allocable to this unit.

The Corps of Engineers supervised the construction of this water system, and it is believed that the reported cost of this system includes the cost of engineering services for the supervision of construction. Under date of September 2, 1941, the Corps of Engineers reported that there were no expenditures made from federal funds, other than those listed for direct, indirect or supervisory elements of cost chargeable to this project.

Authority to occupy the premises for the purpose of constructing, maintaining and operating these improvements is set forth in the following documents:

For the reservoir and pipelines described under the first, third and fourth items, and the Navy Water Supply, on Yerba Buena Island, and the main on the causeway, hereinafter commented upon; a Revocable Permit, dated April 9, 1937, from the United States, through the Secretary of the Navy (the permittor) to the City and County of San Francisco (the permittee). The permit is conditional, and terminates whenever the rights of the permittor are no longer required for the specified purposes

(i.e., the construction of a reservoir and pipelines on Yerba Buena Island and the causeway to furnish fresh water for the Golden Gate International Exposition and future municipal airport). Whereupon, these improvements, together with appurtenances, must be turned over to the permitter, and shall become the property thereof.

For the pipeline and pumping station described under the second and fifth items; an Agreement, dated June 24, 1937, by and between California Toll Bridge Authority, and City and County of San Francisco; and Consent and Approval of this Agreement, made a part thereof, dated September 7, 1937, by the Commandant, Twelfth Naval District, accepted and approved August 30, 1937 by the parties to the Agreement dated June 24, 1937. The rights granted under this Agreement are conditional, and it is provided, in part, that California Toll Bridge Authority shall retain power to deal with said bridge or abandon or dispose thereof, but so long as said bridge shall stand, no abandonment, transfer or disposition of said bridge by California Toll Bridge Authority, shall destroy or terminate the rights granted to the City and County of San Francisco.

This grant of rights may be terminated, at the option of the California Toll Bridge Authority, if the City and County of San Francisco, for a stipulated period of time, fails to comply with the conditions of the Agreement.

In an Agreement dated July 20, 1936, by and between the San Francisco Bay Exposition and the Public Utilities Commission of the City and County of San Francisco, the Exposition Company relinquished claim, if any it may have had, to the title of this water system, except that part of the system hereinafter described under Navy Water Supply. It is believed that the Exposition Company also relinquished title to this unit of the system, as it is provided in this Agreement that the Exposition Company recognized and acknowledged that said water system upon the completion thereof, would be the property of City and County of San Francisco and thereby granted, transferred, and assigned, to the City and County, any and all of its right, title and interest therein.

The said water system referred to does not include the Navy Water Supply system, but the installation of said system was necessary to make effective this Agreement as it is provided therein, in part, that the Agreement was to be effective only in the event that the Navy Department of the United States enter into an agreement with the Public Utilities Commission to purchase from the Water Department of City and County of San Francisco, all fresh water that may be necessary to meet the water requirements on Yerba Buena Island and to commence the taking of water from the Water Department as soon as the supply of water was made available through said reservoir. The Commission agreed to advise the Exposition Company that this Agreement was effective whenever the conditions mentioned in this paragraph had been met to its satisfaction.

As herein commented upon, one of the conditions of the Agreement with the Navy Department was the requirement that the permittee must construct the works herein described under Navy Water Supply, to make the water available to the Naval Reservation reservoir. It is believed that this part of the system was included in that system described in the Agreement with the Exposition Company, since that Agreement was not effective until the construction of these works, thereby making the water available to the Navy Department.

The Water Supply System hereinbefore described was constructed to specifications for permanent installation.

The Corps of Engineers, San Francisco, under date of January 2, 1942, reported the cost of the items constructed under this project as follows:

Pumping station on Spear Street and pipeline to Reservoir	
on Yerba Buena Island.....	\$126,736.59
Construction of Reservoir on Yerba Buena Island.....	111,894.11
Pipeline to Treasure Island.....	8,290.32
<b>TOTAL .....</b>	<b>\$246,921.02</b>

The foregoing total does not include the amount of \$6,190.25 representing engineering services performed by the San Francisco Water Department. Neither does this total include certain additional costs pertaining to the water system which were borne by the Exposition Company.

A part of the cost of this water system is recorded in the accounts of the San Francisco Water Department under the caption of Properties in Service. The amount recorded as at June 30, 1941 (\$367,515.17) is greater than the reported costs under this project but less than the aggregate costs including all expenditures made by the Exposition Company in connection with the water systems. Of the amount recorded only the amount of \$6,190.25 represents actual expenditures on the part of the Water Department.

#### Architectural and Engineering

##### WPA Official Project No. 65-03-1789

Cost funded by federal funds.....	\$189,709.50
San Francisco Bay Exposition.....	218,332.42

As reported by the Work Projects Administration, September 4, 1941, the work accomplished under this Project related to preliminary studies of, and execution of working drawings for the creation of a municipally-owned airport, comprised chiefly of an air terminal building and two hangar buildings; together with studies for a horticultural layout and working drawings for necessary utilities such as water, sewer and fire-fighting systems.

The Work Projects Administration, in response to inquiry, was unable to report any specific allocation of costs under this Project to the several units of work accomplished in connection with the airport or exposition development of Yerba Buena Shoals.

#### Landscaping

##### WPA Project Official Project No. 465-03-2-23

Cost funded by federal funds.....	\$740,229.00
San Francisco Bay Exposition.....	615,764.00

##### WPA Project Official Project No. 665-08-2-70

Cost funded by federal funds.....	\$170,304.00
San Francisco Bay Exposition.....	198,616.00

The stated purpose of these projects, as set forth in the Project Proposals, was the beautification of the new San Francisco Bay airport then being constructed on the reclaimed area of the shoals adjacent to Yerba Buena Island, which area was used temporarily for an Exposition.

As reported by the Work Projects Administration, August 1, 1941, and September 4, 1941, the work performed under these projects consisted of the picking up, boxing, and feeding of trees and shrubs and transporting same to a waterfront site from which they were transported to Treasure Island by the San Francisco Bay Exposition. The planting on Treasure Island was done by the Exposition Company without the aid of WPA labor.

These subject items were transported from various points in San Mateo, Santa Clara, Santa Cruz, Alameda, Contra Costa, Marin, Sonoma and Napa Counties. After removing such trees and shrubs, the resulting excavations were backfilled with loam. Trees, plants, bulbs and horticultural materials were furnished under these projects, for the landscaping of Treasure Island.

#### Landscaping

##### WPA Project Official Project No. 65-03-1787

Cost funded by federal funds.....	\$396,651.14
San Francisco Bay Exposition.....	119,523.75

As a part of this Project, trees, plants and shrubs were furnished for the landscaping of Treasure Island. To provide for the propagation, care and handling of horticultural material used in this landscaping work, a nursery was constructed in Balboa Park, San Francisco, at the cost of \$80,967.00, as a part of this project.

All of the landscaping accomplishments at Treasure Island, under these projects, were defined and classified in the San Francisco Bay Exposition lease as temporary improvements, and in accordance therewith, the Exposition Company disposed of, to its demolition contractor, all of these improvements except those portions of these improvements situated around and near the permanent improvements, which the Public Utilities Commission designated to remain as appurtenant thereto.

On May 17, 1941, the balance of the horticultural material then remaining, other than that situated around and near the permanent improvements, was acquired from the Exposition Company's contractor by the Navy Department. Under its agreement with the City and County of San Francisco, the Navy Department was required to remove the improvements thus acquired on the expiration of the agreement under which it was to use the Island in connection with its defense program.

#### Federal Emergency Administration of Public Works Project

Cost funded by federal funds.....	\$1,894,324.00
San Francisco Bay Exposition.....	2,414,101.96
San Francisco Unified School District.....	12,233.00

Cash receipts and disbursements in connection with the subject project were recorded in the general city records under the classification of Special Trust Funds with a special subdivision of PWA Docket No. 1427, Shoals Fund.

We made a review of receipts and expenditures recorded in PWA Docket No. 1427, Shoals Fund, in connection with which we inspected contracts and data on file.

Following is a summary showing the receipts and disbursements of PWA Docket No. 1427, Shoals Fund:

#### Receipts

United States of America, Federal Emergency Adminis- tration of Public Works.....	\$1,894,324.00
San Francisco Bay Exposition.....	2,414,377.43
San Francisco Unified School District.....	12,233.00
<b>TOTAL.....</b>	<b>\$4,320,934.43</b>

#### Disbursements

Construction and other costs of project, PWA Docket No. 1427.....	\$4,320,658.96
Transferred to General and Miscellan- eous Revenue .....	31.08      4,320,690.04
<b>BALANCE AT JUNE 30, 1941.....</b>	<b>\$      244.39</b>

PWA Grant—\$1,894,324.00

Under date of December 28, 1935, the Federal Government offered to aid in financing the construction of ferry slips and buildings and paving of areas in conjunction therewith upon reclaimed lands (Yerba Buena Shoals) and the construction of buildings on other lands within the City and County of San Francisco necessary in connection with such construction by making a grant to the City and County of San Francisco in the amount of 45 per cent of the cost of the Project upon completion, as determined by the Federal Emergency Administrator of Public Works, but not to exceed, in any event, the sum of \$1,894,324.00.

This offer was conditioned upon the City and County of San Francisco submitting, prior to the advance of any funds by the Government, plans of the project in sufficient detail to establish a reasonable cost estimate and demonstrate the technical soundness of the Project.

The offer of the Government was accepted by the City and County of San Francisco by resolution approved January 13, 1936.

## General Description of Project (PWA Docket No. 1427) and Cost Estimate

Pursuant to the requirement of the offer of grant by the Government, the City and County of San Francisco through the Public Utilities Commission, Bureau of Engineering, filed technical data relating to the project under dates of February 5, 1936 and March 12, 1936.

The data filed under date of March 12, 1936, were revised data and therein it was stated that the Project contemplated the construction of buildings and other facilities essential or useful to an airport to be established by the City and County of San Francisco on the shoal area north of Yerba Buena Island in San Francisco Bay, and other work therein mentioned, and that under an arrangement, the shoal area and other city property would be temporarily loaned to San Francisco Bay Exposition, for improvement and use for exposition purposes. It was also stated that the layout and designs of features of the project in general had been made to serve the purposes of the projected airport, with certain minor adaptations to conform to the requirements for use of the features for exposition purposes. The drainage system for the filled area, approach roads, water supply system, lighting system, sewage disposal system, etc., according to the data filed under date of March 12, 1936, would be provided by the San Francisco Bay Exposition with the assistance of the Work Projects Administration.

The estimate of cost of the Project (PWA Docket No. 1427), itemized in accordance with PWA classification of project costs, were as follows:

Preliminary expense .....	\$ 15,000.00
Cost of land, right of way, easements.....	.....
Construction costs .....	3,867,807.00
Engineering, architectural and other fees for technical service .....	179,600.00
Legal, administrative and overhead costs.....	84,100.00
Interest during construction.....	63,102.00
Miscellaneous costs .....	.....

**TOTAL ESTIMATED COST OF PROJECT.....\$4,209,609.00**

The distribution of the amounts set forth in the foregoing estimate of cost of the project into each unit of work was shown as follows:

	Contracts and Contingencies	Field Inspection	Engineering, Architectural, Etc.	Legal Administra- tive and Overhead	Total
Administration building ....	\$ 141,400.00	\$ 5,000.00	\$ 8,100.00	\$ 3,200.00	\$ 157,700.00
Ferry slips .....	415,000.00	12,000.00	20,000.00	10,300.00	457,300.00
Hangars, two .....	630,000.00	10,000.00	30,400.00	14,900.00	685,300.00
Airport terminal building..	650,000.00	15,000.00	34,800.00	15,500.00	715,300.00
Exhibition building .....	315,000.00	6,000.00	16,800.00	7,500.00	345,300.00
do .....	334,000.00	6,500.00	17,800.00	7,900.00	366,200.00
do .....	228,000.00	4,500.00	12,100.00	5,500.00	250,100.00
do .....	228,000.00	4,500.00	12,100.00	5,500.00	250,100.00
do .....	171,407.00	3,500.00	9,100.00	3,900.00	187,907.00
Ferry terminal building.....	250,000.00	6,000.00	13,400.00	5,500.00	274,900.00
Paving .....	426,000.00	6,000.00	5,000.00	4,400.00	441,400.00
<b>TOTAL.....</b>	<b>\$3,788,807.00</b>	<b>\$79,000.00</b>	<b>\$179,600.00</b>	<b>\$84,100.00</b>	<b>\$4,131,507.00</b>
Interest during construction.....	.....	.....	.....	.....	63,102.00
Preliminary expense .....	.....	.....	.....	.....	15,000.00
					<b>\$4,209,609.00</b>

Information furnished in the data filed relating to units of work, included the following:

**Ferry Slips:** Part of the floor of the portion of ferry building extending beyond the ferry slips will form the roof of an underpass which will be constructed by the San Francisco Bay Exposition independently and not under this docket.

**Hangars:** The hangars will be used for exhibition purposes during the exposition, after which they will be available for conversion for airport use. The necessary interior treatment for exhibition purposes, and exterior treatment, will be provided by the San Francisco Bay Exposition independently and not under this docket. The large hangar doors required for these buildings will not be furnished at this time.

**Airport Terminal Building:** The major portion of the interior partitions and exterior finish will be provided by the San Francisco Bay Exposition independently and not under this docket. During the exposition this building will be used as a service building, after which it will be available for conversion into the terminal and administration building for airport purposes.

**Exhibition Buildings:** The exterior architectural treatment will be provided by the San Francisco Bay Exposition independently and not under this docket. The ultimate use of these buildings is not assignable at this time. The buildings have been designed for possible use for airport purposes as shops, as temporary hangars, or for exhibiting airplanes and aviation equipment after the close of the exposition.

**Ferry Terminal Building:** The necessary exterior treatment will be provided by the San Francisco Bay Exposition independently, and its cost is not included in this docket.

Construction work under the designated project, commenced about December 28, 1935, and was completed on or about June 30, 1938, according to reports of the Public Utilities Commission.

Project changes filed under the docket included the following:

**February 3, 1937:** The amounts allocated in the estimate of cost for the five exhibition buildings were combined to give sufficient funds for construction of exposition palaces. The item for paving was replaced by an item for palace extensions.

**April 30, 1937:** The amount shown for interest during construction was eliminated from the schedule of estimate of cost. The total cost for the Project was increased by the amount of \$12,233.00, and the additional amount was provided by the City and County of San Francisco for construction in connection with the Project.

**July 26, 1937:** The construction of the South Towers and the furnishing and driving of piling for Palace Extensions were added to the schedule. The total cost of the Project was increased by the amount of \$78,158.00 and the additional amount was provided by San Francisco Bay Exposition.

**January 26, 1938:** The construction of the administrative offices in the Airport Terminal Building was added to the schedule. Additional funds to the amount of \$20,658.96 were provided by San Francisco Bay Exposition.



The total expenditures under PWA Docket No. 1427, divided into major items are shown as follows:

Preliminary expenses .....	\$ 364.56
Construction contracts .....	3,927,848.63
Construction material purchases .....	40,024.37
Inspection and testing .....	85,255.20
Bureau of Engineering office expense .....	22,886.30
Fees for architectural and engineering services .....	238,072.07
Administrative expenses .....	6,207.83
<b>TOTAL .....</b>	<b>\$4,320,658.96</b>

A description of the construction and the cost of items of work upon completion, under the subject docket, are set forth as follows:

#### Description

Administration building constructed on the Bush Street lot (this land and the building thereon reverted to the San Francisco Unified School District at November 2, 1940). The amount of \$162,513.26 includes \$12,233.00 made available by the San Francisco Unified School District .....	\$ 162,513.26
Three passenger slips and one freight ferry slip at shoals site: General contract, furnishing and erecting hydraulic hoisting machinery, bituminous covering on untreated piles and furnishing structural steel, castings and accessories for ferry slip aprons .....	495,005.67
Two hangar buildings of concrete and steel construction on pile foundation (includes the cost of \$9,020.00 for the construction of a timber wharf used as dock facilities and means of access to Treasure Island during construction thereof) .....	768,648.12
Airport Terminal Building constructed of reinforced concrete on pile foundation, semi-circular in shape .....	745,076.48
Exposition Palace Construction; pile foundations, floor systems, structural timber frames, composition roofs and outside sheathing for the six main exhibit palaces of the Exposition .....	1,262,285.82
Ferry Terminal Building .....	129,235.47
Central Tower Building: Foundation, structural steel frame and sheathing for the Tower of the Sun .....	305,310.49
Four pavilions of the Central Court. These pavilions were extensions of the palace buildings and surrounded the Central Court .....	240,994.66
South Towers: These were ornamental structures forming the southerly entrance to the palace buildings .....	83,213.33
Furnishing and driving piles in the foundations of the main entrance, east court and east towers. The buildings supported by this piling were constructed under a contract let by the Exposition Company .....	38,554.47
Administrative offices in the Air Terminal Building. This contract provided for finishing certain rooms and other interior improvements in the Air Terminal Building .....	83,051.49
General miscellaneous charges .....	6,769.70
<b>TOTAL .....</b>	<b>\$4,320,658.96</b>

The cost of the Administration building, estimated at or about December 16, 1935, was presented by a representative of San Francisco Bay Exposition at \$128,548.00 for the building as drawn by the exposition company's architect. To make such changes as would permit the use of the building by the San Francisco Unified School District at the end of five years and make possible the erection of another story and the use of permanent stone columns in the facade, the estimate was then presented at \$140,781.00. The difference of

\$12,233.00 was made available by the San Francisco Unified School District.

The Administration Building (Bush and Stockton Streets, San Francisco) was constructed as an item of work under PWA Docket No. 1427, with the aid of a federal grant and the nature and scope of the project under the docket was the construction of buildings and other facilities essential or useful to an airport. The building was included in the lease to the San Francisco Bay Exposition, dated August 22, 1936. This building and the lot on which it was constructed reverted to San Francisco Unified School District on November 2, 1940. Any value assigned to this property should be carried in the records of property under the jurisdiction of the San Francisco Unified School District from and after November 2, 1940, provided, however, that such transfer was not in conflict with the terms of the federal grant under which the improvement was constructed.

The passenger ferry slips and freight ferry slip, exposition palaces, the timber wharf, ferry terminal building, central tower building, four pavilions and south towers set forth as accomplished items of work under the subject docket were included in the lease to San Francisco Bay Exposition, dated August 22, 1936, and were included among the temporary improvements as defined therein. According to the terms of the lease the exposition company was required to remove all temporary improvements from Treasure Island after the close of the exposition on September 29, 1940, and pursuant thereto the San Francisco Bay Exposition contracted with the Dulien Steel Products, Inc., for the demolition and removal of the temporary improvements. The Navy Department by agreement under date of February 3, 1941, occupied Treasure Island for use in the national defense program and on May 17, 1941, acquired from the demolition contractor the temporary improvements not then demolished by the contractor.

The provisions of the lease to San Francisco Bay Exposition setting up a distinction between permanent improvements and temporary improvements and permitting and requiring the removal of those improvements therein classified as temporary, insofar as the provisions relate to those improvements constructed with aid of federal funds, as herein set forth, appear to be in conflict with the provision of the federal grant, herein referred to, which grant indicates that the improvements to Yerba Buena Shoals under this project were to be essential and useful to an airport. If the lease prevails and the temporary improvements are to be removed in accordance with the terms thereof, then it would appear that the amounts representing the cost of such temporary improvements should be removed from the asset accounts of Treasure Island Airport as at June 30, 1941, even though such improvements may not have been actually removed at that date. This point is doubtless somewhat academic at the present time in view of the previously mentioned action of the Navy Department in taking over the shoals site and the improvements thereon. This matter is commented upon more fully hereinafter.

#### Improvements Constructed By and At the Expense of San Francisco Bay Exposition:

##### ROCK FILL, WEST SEA WALL:

Cost funded by San Francisco Bay Exposition.....\$11,611.76

The work was performed to prevent erosion of the sand fill by tidal action of the sea waters and comprised the furnishing and placing of additional rock fill in the West sea wall. The work was considered not to be in the nature of repair work and it was expected that work of this kind would be necessary until the sea wall has become stabilized.

##### PAVEMENTS:

Cost funded by San Francisco Bay Exposition.....\$323,938.10

The major portion of the pavements is located in the Exposition parking area at the northerly end of Treasure Island, and was constructed to specifications to withstand vehicular traffic of light loads, passenger cars, etc. The improvement was considered of value as an airport property insofar as it remained as a general covering for the sand fill, thus preventing erosion of the fill by action of the elements. Under a current project it was expected that a

considerable portion of the area of these pavements would be traversed by raised runways in the ultimate development of the airport and in the grading for this expected development much of the pavements would be removed.

#### GARDEN LOAM:

Cost funded by San Francisco Bay Exposition.....	\$100,068.88
Less estimated amount removed.....	10,006.88
<b>TOTAL.....</b>	<b>\$ 90,062.00</b>

The item represents the remaining portion of the loam placed on Treasure Island for horticultural purposes. It has utility value as a covering for the fill, preventing erosion of the sand fill by action of the weather. No value as a horticultural medium is to be assigned to the item as the area involved is almost entirely within the landing field proposed under a current project.

#### IMPROVEMENTS TO EAST HANGAR:

Cost funded by San Francisco Bay Exposition.....	\$382,437.97	
Less estimated value of improvements removed.....	54,565.89	\$327,872.08

#### IMPROVEMENTS TO EAST HANGAR:

(Contract No. 2)	
Cost funded by San Francisco Bay Exposition.....	40,259.52

#### UNDERPINNING, WEST HANGAR:

Cost funded by San Francisco Bay Exposition.....	16,508.84
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#### WEST END WALL:

Cost funded by San Francisco Bay Exposition.....	7,199.67
<b>TOTAL.....</b>	<b>\$391,840.11</b>

Among the items of work accomplished under these jobs are the reinforced concrete and steel addition at the Easterly end of the East hangar building, partitions, plumbing, lighting, and an automatic sprinkler system for fire protection. The sprinkler system was installed primarily to protect valuable art treasures housed in this building during the exposition.

Reference here to the underpinning of the West hangar building covered work done during the course of construction to bring the foundations of the building to a level plane.

As constructed under PWA Docket No. 1427, the West end wall of the West hangar building had remained open to receive hangar type doors. The doors were not installed in this wall and the opening was closed under the above captioned item of work.

#### AIR TERMINAL BUILDING, DASH COATING:

Cost funded by San Francisco Bay Exposition.....	\$ 3,548.00
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#### AIR TERMINAL BUILDING, ADMINISTRATIVE OFFICES:

Cost funded by San Francisco Bay Exposition.....	55,268.92
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#### AIR TERMINAL BUILDING, PAINTING HARDWOOD:

Cost funded by San Francisco Bay Exposition.....	992.88
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Under the first captioned item of work the exterior surface of the Air Terminal Building was painted. The exterior finish of this building, as constructed under PWA Docket No. 1427, was of natural concrete masonry. The Exposition hospital unit and cashier's unit were constructed in the Air Terminal Building under the second captioned item of work. This work was additional to that work done under PWA Docket No. 1427, in the construction and finishing of offices in the interior of this building. The last captioned item of work covered the painting of hardwood in executive offices in the Air Terminal Building.

**SERVICE ROADS:**

Cost funded by San Francisco Bay Exposition.....\$131,709.96

The item represents the cost of the roads built to provide access to various parts of Treasure Island during occupancy for exposition purposes. These pavements were constructed to withstand medium loads to serve the temporary needs of the exposition, the construction period immediately preceding it, the demolition period thereafter, and as a base for permanent roads.

**STORM SEWERS:**

Cost funded by San Francisco Bay Exposition.....\$168,103.44

**CONNECTING LINES TO CATCH BASINS AND  
DOWNSPOUTS:**

Cost funded by San Francisco Bay Exposition..... 32,071.49

The storm sewers, constructed under this item of work, form the basis of the surface drainage system of Treasure Island. Under the other item of work, sewer lines were installed to connect the storm sewers with catch basins located at various points on the Island and with downspouts which drained all of the buildings on the Island. These improvements form the drainage system of the Island to carry off surface water from the land and buildings. Under a current project it was expected that extensions of this system would be constructed. The major portion of the connecting lines to downspouts serve the temporary improvements which have been or will be demolished and removed.

**SANITARY SEWERS:**

Cost funded by San Francisco Bay Exposition.....\$72,924.61

Less estimated value of pumps removed..... 4,000.00

\$68,924.61

**OUTFALL SEWER:**

Cost funded by San Francisco Bay Exposition..... \$ 8,020.47

The amount of \$72,924.61 represented the cost of construction of the sanitary sewer system to convey sewage from all of the buildings on Treasure Island to the sewage treatment plant at the Northeast corner of the Island, from which point the effluent discharges into San Francisco Bay through the outfall sewer. As a part of this system, pumps were located in sumps at various points on the Island and in the treatment plant to force the sewage through the system.

Only that portion of this sewer system and appurtenant pumping equipment serving the permanent improvements (East Hangar, West Hangar and Air Terminal Building), would be useful to the airport. The Exposition Company contracted for the removal of the portion serving the temporary improvements, but before the work of removal was accomplished the Navy Department on May 17, 1941, acquired ownership of that portion of the system and the sewage disposal plant. Under its agreement for use of the Island the Navy Department was required to leave undisturbed each subsurface utility approved by the City, upon the termination of the agreement and surrender of the premises.

It is proposed under a current project for improvement of the Island, to reconstruct this sewer system in its entirety.

The outfall sewer is a permanent installation and is useful as a means of carrying the sewage to a proper point of discharge into the Bay.

**HIGH PRESSURE WATER SYSTEM, DOMESTIC WATER SYSTEM,  
PIPELINE CHANGES (AT AVENUE K) AND PURCHASE AND IN-  
STALLATION OF FIRE HYDRANTS:**

Costs funded by San Francisco Bay Exposition, \$127,465.85, \$53,862.61, \$5,568.63 and \$23,476.24, respectively.

These items of work represent the construction of two independent water supply systems, comprising a high pressure fire fighting supply system, and a low pressure domestic system, each connecting at the causeway to the main supply from the reservoir on Yerba Buena Island. During the term of oc-

cupancy by the San Francisco Bay Exposition, these systems served the needs of all parts of Treasure Island for domestic water consumption and fire fighting supply.

These systems were constructed for the temporary needs of the exposition. The domestic system was not in use at June 30, 1941, and had to a large extent depreciated since its construction.

A portion of the high pressure system has been converted for domestic use to serve the needs of the permanent improvements and the remaining temporary improvements.

The mains, at about August, 1941, showed evidence of corrosion and deterioration. The reconstruction of these systems, both domestic and fire-fighting supply, under specifications for a permanent installation, is contemplated under a current project for the improvement of Treasure Island.

#### FOUNTAIN EQUIPMENT, SOUTH GARDENS:

Cost funded by San Francisco Bay Exposition.....\$4,986.02

Under this item of work, equipment for the operation of the fountain, located in the center of "Treasure Garden," was installed.

Under a proposed plan of development of the airport, "Treasure Garden" would be demolished and an apron for aircraft would be there constructed. There was no intention to operate this fountain in the meantime, and the value of the equipment would be represented in the materials (fittings, valves, pumps, motors, etc.) which might be useful to the water supply system.

#### CONCRETE VAULT, SOUTH GARDENS:

Cost funded by San Francisco Bay Exposition.....\$3,779.96

The concrete vault was constructed in "Treasure Garden" and its equipment was installed to operate the fountain in this garden. It was not proposed to operate this fountain as a unit but it was believed that the vault might be useful as a transformer vault.

#### SUBSTATION EQUIPMENT AND FEEDER LINES:

Cost funded by San Francisco Bay Exposition, estimated value  
of remaining portion.....\$25,000.00

The San Francisco Bay Exposition installed and completely equipped an operative electric power substation in the Southerly part of the East Hangar to serve, during its occupancy, the needs of Treasure Island, approach roads and causeway, including floodlighting equipment. The load on this substation was materially lessened by the removal of temporary exposition structures and floodlighting equipment, and some of the substation equipment was removed, leaving only a portion of the original installation, which portion now serves the permanent improvements.

The feeder lines supply electric energy to the permanent improvements and the stated amount includes the feeder system on Treasure Island.

This electrical distributing system was intended to serve only a temporary period as all feeder and distributing cables are rubber insulated cables with a tape braid covering, in general buried 24 to 36 inches deep in the ground but not in conduits or ducts, having been covered with a one by twelve planking throughout their length, except at road crossings or under pavements, at which points they have been run through fibre ducts.

#### PERMANENT MAIN ON CAUSEWAY:

Cost funded by San Francisco Bay Exposition.....\$6,021.33

#### NAVY WATER SUPPLY:

Cost funded by San Francisco Bay Exposition.....\$3,849.15

Under private contract, San Francisco Bay Exposition installed a water main on the causeway to connect the pipeline from the Reservoir on Yerba Buena Island with the domestic and fire-fighting supply systems on the Island hereinbefore described, and also installed a water supply system pursuant to a requirement of the Revocable Permit, dated April 9, 1937, from

the United States, through the Secretary of the Navy, hereinbefore referred to, for the purpose of furnishing fresh water to the Naval Reservation reservoir on Yerba Buena Island. This system comprises the following units, as provided in said Permit:

A pump house, adjacent to the Reservoir with pumping plant and automatic control, together with appurtenant valves and equipment; a pipeline from said reservoir to the intake of said pumping plant; a pipeline, connecting the discharge of said pumping plant with the Naval Reservation reservoir, Building No. 160.

#### ROAD AND ROADWAY STRUCTURES:

Cost funded by San Francisco Bay Exposition.....\$72,693.80

This road began at a point near the East Portal of the San Francisco-Oakland Bay Bridge tunnel, at the upper bridge deck, traversed portions of the South and West portions of Yerba Buena Island, crossed the bridge near the West Portal of the tunnel on an overhead steel span and connected with the other road which began near the West Portal. The portions of Yerba Buena Island traversed by this road are under the control of the Navy Department and the Lighthouse Service of the Department of Commerce.

This road and its supporting structures were constructed and occupied under a Revocable Permit dated January 3, 1938 from the United States of America, through the Secretary of the Navy, and a Permit for Temporary Right of Way dated January 11, 1938, from the Secretary of Commerce.

The right of way granted under the Navy Permit was temporary and for the purpose of access to Treasure Island during the Golden Gate International Exposition. This right expired sometime after the close of the Exposition, and the Permittee must remove this road and supporting structures, restore the site to its original condition as nearly as practicable, and return the site to the Permittor.

The right of way under the Permit from the Secretary of Commerce was temporary and was granted for the purpose of access to Treasure Island during construction of the airport and exposition and for convenience of visitors during the life of the permit, which has expired. The wooden trestle must be removed and the site restored to its original condition, including replacement of trees destroyed by construction, as required by the Superintendent of Lighthouses.

In an agreement with the City and County of San Francisco, dated December 7, 1937, the San Francisco Bay Exposition assumed responsibility for the performance of conditions relative to the temporary rights of way hereinbefore described.

The connection to the upper deck of the San Francisco-Oakland Bay Bridge and the erection of the supporting structures on the bridge right of way (overhead steel span and wooden trestle) for this road, were made under authority granted in an agreement dated October 15, 1937, by and between the State of California, San Francisco Bay Exposition and City and County of San Francisco. Under this agreement the bridge connection and supporting structures must be removed by the Exposition Company and certain restoration work performed.

Under date of June 18, 1941, the Public Utilities Commission made application to the Navy Department and Secretary of Commerce, and on August 20, 1941, to the Navy Department and U. S. Coast Guard, for a new and permanent right of way for a proposed road, on this part of Yerba Buena Island, but not on the same alignment as this road, and to the State of California for permanent rights for bridge connections for the proposed new road. It was expected that little of the old road would be utilized in the proposed alignment of the new road.

Under the previously mentioned agreement dated March 21, 1942, with the Federal Works Administrator this road is currently being reconstructed and realigned.

The schedule entitled Exposition Company's cost of Permanent Improvements on Treasure Island hereinbefore referred to, included an item of \$160,807.00 for installation of electric service, however, the amount of \$160.-

807.00 is omitted from the Summary set forth herein, showing Improvements Constructed by and at the expense of San Francisco Bay Exposition. Under date of July 13, 1942, the Controller of the City and County was informed by Pacific Gas and Electric Company in regard thereto, that the Exposition Company paid the sum of \$160,807.00 to cover the cost of installation and removal of three submarine cables from Oakland to the Exposition substation building on Treasure Island and four transformers therein. The amount of \$160,807.00 did not include the cost of the facilities and the Pacific Gas and Electric Company retained ownership of the facilities and removed them at the termination of the exposition period.

#### City and County of San Francisco

Plans and specifications in connection with location, raising and salvage of underground utilities on Treasure Island.....	\$1,291.65
Plans and specifications in connection with gradient of proposed road over tunnel on Yerba Buena Island.....	3,013.81
Engineering and inspection in connection with the development of Airport on Treasure Island.....	5,636.73

<b>COST FUNDED BY CITY AND COUNTY OF SAN FRANCISCO .....</b>	<b><u>\$9,942.19</u></b>
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According to departmental work orders, the captioned items are descriptive of the work performed by forces of the indicated departments for the period shown:

Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau of Public Utilities Commission from October 29, 1940 to June 30, 1941 .....	\$1,291.65
Engineering forces of the Department of Public Works from October 29, 1940 to June 30, 1941.....	3,013.81
Hetch Hetchy Water Supply, Power and Utilities Engineering Bureau of Public Utilities Commission from July 3, 1941 to June 22, 1942....	5,636.73
<b>TOTAL.....</b>	<b><u>\$9,942.19</u></b>

#### General Comments

In connection with the costs shown for certain of the improvements made by the Exposition Company, deductions have been made in estimated amounts to cover materials or improvements removed. The report on costs and on estimated removals was dated June 21, 1941. This date was some time after the sale of all temporary improvements to Dulien Steel Products, Inc., but was after the date, May 17, 1941, that Dulien Steel Products, Inc., sold the remaining temporary improvements to the Navy Department. The estimates probably do not include any removals made by the Navy Department since May 17, 1941.

Under the agreement between the City and the Navy Department dated February 3, 1941, providing for use of Treasure Island by the latter, the Navy Department assumed the obligation to the City to remove all temporary improvements at the termination of its occupancy of the Island.

On March 16, 1942, the Board of Supervisors of the City and County of San Francisco passed a resolution acknowledging that the Exposition Company had fulfilled its obligation with respect to removal of temporary improvements excepting the Exposition Company's obligation with respect to repair, construction, or demolition of roads on property of the United States (Yerba Buena Island) and restoration of such property. We have not ascertained whether the Exposition Company has fulfilled this obligation.

We made no investigation with respect to improvements made on Treasure Island by Pan American Airways Company as a result of its lease dated August 22, 1938, nor with respect to improvements made by the Navy Department as a result of the Agreement dated February 3, 1941, to use Treasure Island. Neither have we made investigation with respect to improvements

made as a result of the Agreement dated March 21, 1942, with Federal Works Administrator, herein referred to.

As indicated in the forepart of this report, our examination did not extend to the accounts and records of Federal Works Agency, Work Projects Administration or those of San Francisco Bay Exposition, and no records with respect to expenditures made by these organizations were maintained by the City and County of San Francisco. Furthermore, our examination was not carried to completion, partly because of failure to receive certain legal opinions requested and partly because of war developments which ultimately resulted in taking of the Shoals site and improvements by the Navy Department and its condemnation proceedings with respect thereto, which proceedings are still pending at the date of this report.

Also, as previously explained, it was intended that the value of Treasure Island and the remaining related improvements would be determined by appraisal by the Public Utilities Commission during the year commencing July 1, 1942 and that appropriate records with respect to such assets would be established by the City on the basis of said appraisal and the information developed by our examination.

It appears that the City retains title to the Administration Building (Bush and Stockton Streets, San Francisco) which should be appraised and the value thus assigned to this property should be carried in the records of property under the jurisdiction of the San Francisco Unified School District. The water system also properly may be appraised and set up on the books of San Francisco Water Department in lieu of the amount recorded therein. In addition, the nursery created in Balboa Park, for propagating plants, etc., doubtless has a permanent value and any value assigned to this property should be carried in the records of property under the jurisdiction of the Park Department.

As to all other improvements made under these various projects, including the creation of Treasure Island, it appears that the value to the City will be entirely represented by whatever award is eventually made to the City in the pending condemnation proceedings. We are informed that the Navy Department deposited a check in the amount of \$44,801.00 in connection with these proceedings as estimated compensation to the City for all right, title, and interest in the tide lands and submerged lands and the fee simple title to all improvements thereon and appurtenances thereunto belonging. We are also informed that steps are being taken by the City to contest these proceedings insofar as they relate to the estimated compensation for the shoal site and the improvements thereon.

At June 30, 1941, the Public Works Administration Project, Docket No. 1427, was represented in the general accounts of the City by the amount of \$4,308,425.96 and in the Annual Report of the Controller as at that date this amount was classified as an asset of "Shoals Airport" in the proprietary balance sheet of the Public Service Enterprises. In view of developments as herein outlined, appropriate adjustment of this presentation would appear to be called for.

The operating revenues and expenses of Treasure Island Airport, which we understand were nominal in amount, were recorded on the books of San Francisco Airport (Mills Field) and did not come within the scope of our examination.

ERNST & ERNST,  
Certified Public Accountants.



San Francisco  
City and County Employees'  
Retirement System

Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1942

(Wherever italic figures appear in this Report, they indicate red figures)

**SAN FRANCISCO**  
**CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**REPORT ON EXAMINATION OF ACCOUNTS**

For the Fiscal Year Ended June 30, 1942

**JAMES O. SULLY AND COMPANY**

Accountants and Auditors

Merchants Exchange Building, San Francisco

November 10, 1942.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the San Francisco City and County Employees' Retirement System for the fiscal year ended June 30, 1942, and submit herewith our report thereon, together with the following Exhibits and Schedule:

**EXHIBIT A—BALANCE SHEET as at June 30, 1942**

**EXHIBIT B—STATEMENT OF REVENUES AND EXPENDITURES**  
 for the Fiscal Year Ended June 30, 1942

**SCHEDULE 1—INVESTMENT BONDS as at June 30, 1942**

**SCOPE OF THE EXAMINATION**

Our examination was limited to a verification of the asset and liability accounts as at June 30, 1942, and a test check of the revenues and expenditures for the fiscal year ended that date. In connection therewith, we reviewed the system of internal control and the accounting procedures of the System and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Mr. David F. Supple, Consultant to the Grand Jury, participated in this examination.

**BALANCE SHEET COMMENTS**

Cash On Deposit With Treasurer.....\$223,797.42

The cash on deposit with the Treasurer was verified as of June 30, 1942, by the accounting staff of the Controller's Office. The report on this verification was inspected by us, and we ascertained that reconciliation was established with the balance as reflected in the records of the Retirement System. Warrants unclaimed or refused by payees totaling \$2,072.99, and cancelled by the Controller have been included in the above cash balance.

Accrued Interest On Investment Bonds.....\$142,460.44

This accrued represents the accrued interest on investment bonds at June 30, 1942, the computation of which was verified by us.

Investment Bonds.....\$30,717,013.97

A summary analysis of the investment bonds in the Retirement Fund is presented in Schedule No. 1 of this report. We inspected or otherwise accounted for the various securities which are held in the joint custody of the Controller and Treasurer. The collections from interest coupons maturing during the fiscal year ended June 30, 1942, were verified. None of the securities were in default as to principal or interest as of June 30, 1942.

All the investment bonds in the Retirement Fund are of the character legal for the investments of insurance companies in the State of California in accordance with the requirements of Section 159 of the Charter.

Since the securities were purchased for investment purposes only, we have made no attempt to calculate their market value as of June 30, 1942.

The bonds are carried at amortized values as the Retirement System is extinguishing the premium or discount at which the bonds were purchased so that book values will equal par at maturity.

Our audit included a comprehensive test of the annual amortization of bond premium or discount and of the resultant book values of the bonds at June 30, 1942.

The changes in the investment bonds during the year are summarized below:

	Total	Govt., State, Municipal and Other Political Subdivisions	Railroads	Other Public Utilities
Balance, July 1, 1941	\$28,557,631.74	\$27,275,589.92	\$533,118.87	\$ 748,922.95
Add: Purchases	2,757,942.89	2,437,818.94		320,123.95
Total	\$31,315,574.63	\$29,713,408.86	\$533,118.87	\$1,069,046.90
Deduct:				
Bonds Called	\$ 9,574.90	\$ 9,574.90	\$	\$
Bonds Matured	483,512.50	483,512.50		
Amortization (Net)	105,473.26	103,231.79	593.13	2,834.60
Total Deductions	\$ 598,560.66	\$ 596,319.19	\$ 593.13	\$ 2,834.60
Balance, June 30, 1942	\$30,717,013.97	\$29,117,089.67	\$533,712.00	\$1,066,212.30

The item of "Bonds Called" shown above, represents bonds of a par value of \$9,000.00, which were called during the year, and resulted in a net loss to the Retirement Fund of \$34.90. This amount has been charged to the Reserve for Interest and Investment Fluctuations.

Accounts Receivable City and County of San Francisco.....\$6,045,089.64

The records of the Retirement System reflect this amount as due from the City and County of San Francisco, as summarized below:

Current Service:

Firemen	\$5,720,316.01
Policemen	46,617.97
Total	\$5,766,933.98

Less:

Appropriation Credits	\$223,648.52
Taxes receivable allocated to the Retirement System, net	38,383.88
	262,032.40

Remainder.....\$5,504,901.58

Police \$2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932.....328,079.41

Total.....\$5,832,980.99

Employees' contributions in course of collection.....62,109.32

City's matching contributions, current service.....106,213.61

Prior service retirement allowances.....46,145.72

Total.....\$6,047,449.64

Less: Balance of 1941-42 appropriations carried forward to cover actuarial investigations .....2,360.00

Total.....\$6,045,089.64

Certain specific items in the foregoing tabulation are commented on as follows:

Current Service.....\$504,901.58

This amount represents the balance which would be required from the City and County of San Francisco as of June 30, 1942, to establish an actuarial reserve equal to the liabilities accruing under the Retirement System on account of services rendered by Firemen and Policemen who became members on January 8, 1932, as provided in the Charter under subdivision (f) of Section 166 and subdivision (d) of Section 169. The subdivisions referred to are as follows:

**Section 166, subdivision (f)—Police Department Members:**

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the retirement system because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county, together with the members' contributions, was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

**Section 169, subdivision (d)—Members of Fire Department:**

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which shall be equal to the liabilities accruing under the retirement system because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

The Retirement Board, after an actuarial survey conducted for the purpose of determining the contributions referred to in the above quoted sections of the Charter, established a rate of 6.36 per cent of salaries earned by policemen, and 19.16 per cent of salaries earned by firemen, who did not exercise the option granted by the Charter of becoming miscellaneous members of the Retirement System.

The Retirement System charges the City and County on the above basis on the theory that the burden to the City and County of all future allowances shall be spread evenly over future service years in proportion to the salaries to be paid. Funds appropriated for this purpose have been applied by the Retirement System first, to cover retirement disbursements and matching contributions of the members in the miscellaneous classifications, and the remainder has been applied to the contributions charged to the City and County under Sections 166 (f) and 169 (d) of the Charter. In the tabulation above, under the caption "Appropriation Credits" is indicated an amount of \$223,648.52 which represents the remainder so applied up to June 30, 1942. It is noted that, for the period under review and prior thereto, there appears to be no specific authorization covering the allocation of this appropriation balance to the amounts indicated as due from the City and County with respect to firemen and policemen. In this connection however, reference is made to Ordinance No. 1777 amending Article 3, Part 1 of the San Francisco Municipal Code, particularly Section 249 thereof and effective September 24, 1942, which reads in part as follows:

"Funds appropriated annually to the Retirement System, other than from specific fund appropriations, shall first be applied to meet the requirements for fixed charges for current and prior service for the period for which such funds are appropriated, and second shall be applied

to meet the accumulated obligations of the City and County to the Retirement System."

The budget officials have each year, beginning with the fiscal year ended June 30, 1933, reduced the Retirement Board budget requests based upon the above mentioned percentages, to the estimated payments to be made during the fiscal year on account of current service which has resulted in an accumulation of charges to the City and County representing the excess of contributions as calculated by the Retirement System over the budget appropriations therefor. A summary of annual increases in the amounts shown by the Retirement System records for the fiscal years beginning July 1, 1937 and ending June 30, 1942, is set forth below:

Fiscal Year	Accounts Receivable	Annual Increase
1937-38.....	\$4,366,032.04	\$ .....
1938-39.....	4,775,479.41	409,447.37
1939-40.....	5,121,456.41	345,977.00
1940-41.....	5,533,843.99	412,387.58
1941-42.....	6,045,089.64	511,245.65
Total.....		<u>\$1,679,057.60</u>

No part of the accumulated matching contributions of the City and County which have been released by separation of members from City and County employment and not applied in settlement of other receivables has been credited as an offset to the balance shown to be due from the City and County. These released contributions are specifically referred to hereafter under the caption "City and County Accumulated Contributions, Other" and show a net balance as of June 30, 1942 of \$1,551,312.26. As at June 30, 1937 the net balance amounted to \$846,175.57, an increase over a period of five years of \$705,136.69.

**Police \$2.00 Contributions Paid to the Police Relief and Pension Fund Prior to January 8, 1932.....\$328,079.41**

On January 8, 1932, the members of the Police Relief and Pension Fund became members of the Retirement System. The above amount represents contributions of \$2.00 per month paid to the predecessor pension fund prior to January 8, 1932, by those employees who were members of the Police Department at that time, and who were still in the department at June 30, 1942.

Interest at the rate of 3½ per cent per annum has been collected on this account for the fiscal year ended June 30, 1942.

**Employees' Contributions in Course of Collection.....\$62,109.32**

This amount represents deductions made from salary warrants for the second half of June, 1942, covering employees' contributions. During the progress of our examination collection of this amount was completed, with the exceptions of the sum of \$656.40, which represents amounts due from several city departments and public service enterprises covering contributions of members on military leave. The items involved have been included in a "Request for Departmental Intra-Fund Transfer" dated October 29, 1942.

**City's Matching Contributions, Current Service.....\$106,213.61**

The City and County of San Francisco is required, under section 164 of the Charter, to contribute to the Retirement System an amount equal to the normal contributions of members. The above amount represents matching contributions due on June 30, 1942, as follows:

Municipal Railway .....	\$ 18,453.17
Water Department .....	6,872.71
Hetch Hetchy Power Division.....	536.14
General City and County.....	80,351.59
Total.....	<u>\$106,213.61</u>

Prior Service Retirement Allowances.....\$46,145.72

This amount represents disbursements made on account of retirement allowances granted for prior service. In accordance with Section 43 of Ordinance 4.073 reimbursements are to be made by the City and County from the following funds:

San Francisco School Department.....	\$41,509.22
Municipal Railway .....	4,636.50
<b>Total.....</b>	<b>\$46,145.72</b>

Taxes Receivable .....	\$70,786.77
Less: Allowance for Uncollectible Accounts.....	\$32,402.89

The Controller's accounts reflect an allocation to the Retirement System of \$70,786.77 of secured and unsecured delinquent taxes and penalties, with a reserve provision of \$32,402.89 to cover any uncollectible unsecured personal property taxes.

Undistributed Portion of Amounts Previously Applied to Provide Retirement Allowances for Current Service to Be Disbursed Monthly.....\$6,110,128.10

The composition of this amount is as follows:

Service Retirements, Current Service:

Miscellaneous Members .....	\$2,918,333.16	
Firemen .....	637,033.50	
Policemen .....	377,433.41	
		\$3,932,800.07

Disability Retirements, Current Service:

Miscellaneous Members .....	\$ 714,778.18	
Firemen .....	255,554.91	
Policemen .....	322,601.49	
		\$1,292,934.58

Death Allowances:

Firemen .....	\$ 430,826.95	
Policemen .....	453,566.50	\$ 884,393.45

<b>Total.....</b>	<b>\$6,110,128.10</b>
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Service retirements and death allowances represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of the members, increased by annual interest credits computed on the undistributed portion to June 30, 1942, and decreased by the monthly allowances paid up to that date. Disability retirement pensions and annuities granted to firemen and policemen who did not elect to become miscellaneous members are stated on a similar basis. Disability pensions granted to miscellaneous members, including policemen of that status are, however, stated at the present value of the pensions calculated as of June 30, 1942. The present value of these pensions was \$270,398.41 in excess of the residue of City and County Contributions transferred at the time of retirement. This difference has been charged to City and County Accumulated Contributions, Other.

The accuracy of the service and disability retirements and death allowances granted and approved by the Retirement Board during the year under review was tested by an examination of selected cases, including a comparison of allowances made with actuarial tables and a review of related documents, records and other supporting evidence. The aggregate of the undistributed balances as reflected in the retired members' individual cards was in agreement with the general ledger controlling accounts.

No provision has been made in the balance sheet for the liability to retired members for retirement allowances granted on account of prior service, as funds to provide this portion of the monthly allowances are apportioned to the Retirement System currently, by the City and County appropriations.

**Members' Accumulated Contributions.....\$12,926,010.33**

Accumulated contributions of members of the Retirement System who are still in service, comprise the following:

Normal contributions, miscellaneous members.....	\$11,996,267.89
Additional contributions .....	277,986.68
Policemen \$2.00 contributions.....	651,755.76
<b>Total.....</b>	<b>\$12,926,010.33</b>

The three items enumerated in the above tabulation are commented on as follows:

**Normal Contributions, Miscellaneous Members.....\$11,996,267.89**

This amount represents contributions made by miscellaneous members at varying rates, as determined in accordance with the provisions of Ordinance 4.073, plus interest compounded at June 30, of each year. The rate of interest as authorized by the Retirement Board, was 3½% per annum for the year under review.

**Policemen \$2.00 Contributions.....\$651,755.76**

On January 8, 1932, policemen who were members of the Police Relief and Pension Fund, became members of the San Francisco City and County Employees' Retirement System. Members under the former plan were contributing on a basis of \$2.00 each per month and were given options of continuing on this basis or of becoming members on the same conditions as policemen who entered the department employ after January 8, 1932. The amount stated above represents the contributions of policemen who are still in the service, but who have not yet elected to become members under the latter classification. Interest compounded at June 30, each year, has been added to the account and for the year under review was based upon 3½% per annum.

**Additional Contributions .....**\$277,986.68

Under Section 164 of the Charter, members are permitted to make contributions in addition to the normal contributions as fixed by the Retirement Board. No liability, however, attaches to the City and County for matching these additional contributions. Interest is added to the balances at the same rate as determined for normal contributions.

**City and County Accumulated Contributions, Current Service....\$15,890,627.22**

This amount represents City and County accumulated contributions, classified as follows:

Matching contributions, miscellaneous members.....	\$11,996,267.89
Firemen .....	3,726,050.13
Policemen .....	168,309.20
<b>Total.....</b>	<b>\$15,890,627.22</b>

**Matching Contributions, Miscellaneous Members.....\$11,996,267.89**

In accordance with Section 164 of the Charter, the City and County shall contribute an amount equal to the normal contributions of the members. This amount represents the accumulated contributions of the City and County in conformity therewith.

<b>Firemen .....</b>	<b>\$3,726,050.13</b>
<b>Policemen.....</b>	<b>\$ 168,309.20</b>

These items represent the accumulated contributions of the City and County on account of firemen and policemen still in service and who became members of the Retirement System on January 8, 1932, but did not exercise the option granted by the Charter of becoming miscellaneous members. These contribu-

tions are computed on the basis of 19.16 per cent of salaries earned by firemen, and 6.36 per cent of salaries earned by policemen.

City and County Accumulated Contributions, Other.....\$1,551,312.26

The composition of this amount is as follows:

City and County matching contributions released by withdrawal of members from City and County employment, held as a reserve to meet the obligations of the City and County on account of benefits granted and prior service of members:

General City and County.....	\$1,588,712.72
Municipal Railway.....	259,254.80
Water Department.....	60,281.36
Hetch Hetchy Power Division.....	21,199.48

Total.....	\$1,929,448.36
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Deduct:

Excess of death benefits granted to deceased members over released matching contributions.....\$107,737.69

Excess of present value of disability retirement allowances for current service as calculated at June 30, 1942, over residue of City and County contributions transferred at time of retirement.....	270,398.41	378,136.10
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Total.....	\$1,551,312.26
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Accounts Payable.....\$32,349.74

Accounts payable comprise the following:

Amounts bearing interest—payable in monthly installments to beneficiaries of deceased members.....	\$29,772.24
Warrants unclaimed or refused by payee cancelled by Controller (this amount included in "Cash on Deposit with Treasurer").....	2,072.99
Refundable contributions due to former members who cannot be located.....	456.98
Matching contribution overpaid.....	1.69
Advance contributions by members on military leave.....	45.84

Total.....	\$32,349.74
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Reserve for Interest and Investment Fluctuations.....\$956,317.70

This amount represents the excess of the interest earned on investments and accounts receivable balances, plus profits on bonds sold or called, over the interest credited on members' and City and County contributions and on undistributed portions of retirement allowances. Also included in this account are the adjustments in the General ledger controlling accounts to bring them into agreement with the aggregate of the members' individual ledger cards. The adjustment of contribution controls consists principally of adjustments to decrease the control balance of "Members' Accumulated Normal Contributions" in the amount of \$1,561.07 and "City's Accumulated Contributions, Current Service" in the same amount. We are making further inquiry into this matter and will submit a subsequent report in connection therewith.

The rate of interest credited to the members and the City and County on the contributions made by them, was on a basis of 3½ per cent per annum for the period under review.

The average rate of interest earned on Retirement Fund investments while still in excess of 3½ per cent is decreasing yearly. This is due not only to the low interest rate on securities purchased out of current contributions, but also to the fact that securities purchased in the past bearing higher interest rates have to be reinvested as they mature, in securities with a much lower yield.



The changes in the reserve account for the year ended June 30, 1942, are as follows:

Balance, July 1, 1941.....		\$ 863,391.37
Add: Interest Earned:		
Investments .....	\$1,099,710.67	
Accounts receivable .....	198,331.21	
Adjustment of contribution controls, net....	3,124.75	1,301,166.63
Total.....		\$2,164,558.00
Deduct:		
Interest credited to members and the City and County on their contributions and on undistributed portions of retirement allowances .....	\$1,208,205.40	
Loss on Bonds Called.....	34.90	\$1,208,240.30
Balance, June 30, 1942.....		\$ 956,317.70

### COMPENSATION INSURANCE

As of June 30, 1942, all departments of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions being administered by the Retirement System. Section 172 of the Charter covering compensation insurance reads in part as follows:

"The benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to or on account of officers and employees, including teachers of the city and county, shall be administered exclusively by the retirement board, provided that the retirement board shall determine whether the city and county, through the retirement system, shall assume the risks under the said law, in whole or in part, or whether it shall reinsure such risks, in whole or in part, with the State Compensation Insurance Fund. Benefits under such risks as may be assumed by the city and county and premiums under such risks as may be reinsured shall be paid by the retirement system, and an amount equal to the total of such benefits and premiums, as determined by the actuary for any fiscal year, including the deficit brought forward from previous years, shall be paid during such fiscal year to the retirement system by the city and county."

All demands made by the Retirement System during the year under review on account of compensation expenditures were met by the City and County. The above quoted section of the Charter provides that liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year; however, the payments received have reimbursed the Retirement System for actual disbursements only. Compensation awards and claims pending at June 30, 1942, were estimated by the Retirement System at \$179,390.95.

We wish to express our appreciation of the cooperation and uniform courtesy extended to us by the officials and staff of the Retirement System and the Controller's office.

Respectfully submitted,

JAMES O. SULLY AND COMPANY.

EXHIBIT "A"  
 SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
 RETIREMENT SYSTEM

BALANCE SHEET

As At June 30, 1942

A S S E T S

CASH ON DEPOSIT WITH TREASURER.....	\$	223,797.42
ACCRUED INTEREST ON INVESTMENT BONDS.....		442,460.44
INVESTMENT BONDS—Schedule No. 1.....		30,717,013.97
ACCOUNTS RECEIVABLE, CITY AND COUNTY OF SAN FRANCISCO .....		6,045,089.64
TAXES RECEIVABLE .....	\$70,786.77	
Less: ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS .....	32,402.89	38,383.88
TOTAL.....		<u>\$37,466,745.35</u>

L I A B I L I T I E S

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY .....	\$	6,110,128.10
MEMBERS' ACCUMULATED CONTRIBUTIONS.....		12,926,010.33
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, CURRENT SERVICE .....		15,890,627.22
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, OTHER .....		1,551,312.26
ACCOUNTS PAYABLE .....		32,349.74
RESERVE FOR INTEREST AND INVESTMENT FLUCTUA- TIONS .....		956,317.70
TOTAL.....		<u>\$37,466,745.35</u>

NOTES: The above balance sheet does not include the liability to retired members, or to active members of the Retirement System for retirement allowances granted, or to be granted, on account of prior service; that is, service in City and County employment before becoming members of the Retirement System. Section 43 of Ordinance 4.073 provides that all allowances paid on account of prior service shall be reimbursed to the Retirement Fund by the City and County.

Compensation awards and claims pending as of June 30, 1942, were estimated by the Retirement System to be \$179,390.95, and are not included with the liabilities on the above balance sheet. Of this amount \$74,213.01 is estimated to be payable during the fiscal year ending June 30, 1943. Benefits and other expenditures paid by the Retirement System on account of these claims will be reimbursed by the City and County.

EXHIBIT "B"  
**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'**  
**RETIREMENT SYSTEM**

**STATEMENT OF REVENUES AND EXPENDITURES**

For the Fiscal Year Ended June 30, 1942

**REVENUES:**

Members' contributions:

Normal contributions, miscellaneous members .....	\$1,060,344.31	
Normal contributions, paid in advance by members on military leave.....	45.84	
Members' additional contributions.....	45,582.34	
Redeposited normal contributions, miscellaneous members .....	3,625.46	
Police \$2.00 contributions.....	6,906.00	
		<hr/>
		\$1,116,503.95

City and County contributions to match normal contributions of miscellaneous members.....		1,060,344.31
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Contributions by City and County to meet current service obligations:

Firemen .....	\$ 603,956.88	
Policemen .....	46,617.97	
		<hr/>
		650,574.85

Contributions by City and County to meet prior service obligations:

Miscellaneous members .....	\$ 497,377.69	
Firemen .....	591,602.89	
Policemen .....	312,278.52	
		<hr/>
		\$1,401,259.10

Other contributions by City and County:

Administrative expense .....	\$ 47,461.68	
Compensation insurance costs:		
Benefits .....	\$61,584.83	
Medical charges and expenses .....	49,672.99	111,257.82
		<hr/>
		\$ 158,719.50

Deposits by beneficiaries under death claims....		\$ 13,214.32
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Income on investments:

Interest .....	\$1,205,183.93	
Less: Loss on bonds called before maturity .....	34.90	\$1,205,149.03
		<hr/>

<b>TOTAL.....</b>		<b>\$5,605,765.06</b>
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## EXHIBIT B—Continued

## EXPENDITURES:

Members' accumulated contributions with-  
drawn:

Miscellaneous members:

Normal contributions .....\$240,207.76

Additional contributions.... 8,942.98

\$ 249,150.74

Police \$2.00 contributions..... 7,307.19

\$ 256,457.93

Service retirement allowances:

Miscellaneous members .....\$ 770,168.21

Firemen ..... 459,616.88

Policemen ..... 124,957.39

\$1,354,742.48

Disability retirement allowances:

Miscellaneous members .....\$ 156,863.91

Firemen ..... 106,457.56

Policemen ..... 154,893.16

418,214.63

Death allowances:

Firemen .....\$ 133,832.21

Policemen ..... 100,803.32

\$ 234,635.53

Death benefits to members' beneficiaries:

Miscellaneous members .....\$ 247,382.15

Firemen ..... 3,945.00

Policemen ..... 23,212.22

\$ 274,539.37

Death benefits to retired members' benefi-  
ciaries:

Miscellaneous members .....\$ 67,541.18

Monthly installments to death claim benefi-  
ciaries .....

\$ 11,091.02

Police \$2.00 accumulated contributions due  
from City and County.....

\$ 20,374.62

Compensation costs:

Benefits .....\$ 61,584.83

Medical charges ..... 49,672.99

\$ 111,257.82

Administrative expenses .....\$ 47,461.68

Amortization of investment bonds.....\$ 105,473.26

TOTAL.....\$2,901,789.52

NET REVENUES.....\$2,703,975.54

SCHEDULE No. 1  
**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'**  
**RETIREMENT SYSTEM**

**INVESTMENT BONDS**

June 30, 1942

DESCRIPTION	Par Value	Book Value June 30, 1942
<b>GOVERNMENT, STATE, MUNICIPAL, AND OTHER POLITICAL SUBDIVISIONS:</b>		
United States Government.....	\$ 1,675,000.00	\$ 1,692,262.41
State of California.....	2,981,000.00	3,027,820.32
State of California Toll Bridge Authority....	421,000.00	446,477.57
City and County of San Francisco.....	3,531,500.00	3,766,096.08
East Bay Municipal Utility District.....	1,660,000.00	1,841,907.45
City of New York.....	4,415,000.00	5,141,353.75
Golden Gate Bridge and Highway District....	500,000.00	559,273.04
City of Los Angeles.....	2,190,000.00	2,534,402.28
Los Angeles County Flood Control District	1,279,000.00	1,499,703.38
Marin Municipal Water District.....	360,000.00	375,501.68
Metropolitan Water District of Southern California .....	4,685,000.00	5,416,307.77
City of Richmond.....	364,000.00	387,213.67
City of Sacramento.....	388,000.00	417,402.41
City of Stockton.....	353,000.00	379,105.42
Other California Municipalities and School Districts, etc. ....	1,566,062.50	1,632,262.44
Total.....	<u>\$26,368,562.50</u>	<u>\$29,117,089.67</u>
<b>RAILROADS:</b>		
Atchison, Topeka and Santa Fe Railroad Company .....	\$ 91,000.00	\$ 86,697.19
Southern Pacific Railroad Company.....	393,100.00	389,285.98
Union Pacific Railroad Company.....	59,000.00	57,728.83
Total.....	<u>\$ 543,100.00</u>	<u>\$ 533,712.00</u>
<b>OTHER PUBLIC UTILITIES:</b>		
California Water Service Company.....	\$ 28,000.00	\$ 28,795.72
San Joaquin Light and Power Company.....	422,000.00	455,572.23
Southern California Edison Company.....	244,000.00	254,270.06
Southern California Gas Company.....	194,000.00	190,467.65
Southern Counties Gas Company.....	138,000.00	137,106.64
Total.....	<u>\$ 1,026,000.00</u>	<u>\$ 1,066,212.30</u>
<b>TOTAL.....</b>	<u><b>\$27,937,662.50</b></u>	<u><b>\$30,717,013.97</b></u>



# Annual Report

of the

## Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1943







# Annual Report

of the

## Controller

of the

City and County of San Francisco

For the Fiscal Year Ended June 30, 1943



KNIGHT-COUNIHAN CO., PRINTERS  
500 Sansome Street, San Francisco





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December 8, 1943.

To His Honor, the Mayor, and The Honorable Board of Supervisors,  
City and County of San Francisco.

Gentlemen:

In conformance with the provisions of Section 65 of the Charter, the annual report of the Controller, for the fiscal year ended June 30, 1943, is submitted herewith.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Ernst and Ernst by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of departments were made by the Controller's Audit Staff, with the exception of the following audits which were made by the firms indicated:

San Francisco Water Department, by F. W. Lafrentz & Company.

Hetch Hetchy Water Supply and Power Project, by John F. Forbes & Company.

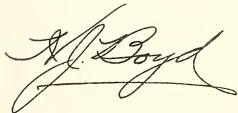
Municipal Railway, by Lybrand, Ross Bros. & Montgomery.

San Francisco School Department, by Benjamin H. Hicklin.

Retirement System, by James O. Sully and Company.

Your attention is directed to the Controller's statistical schedules and charts included herein, particularly those schedules setting forth an analysis of Civilian Defense and War Service Expenditures.

Yours very truly,

A handwritten signature in dark ink, appearing to read "A. J. Boyd". The signature is fluid and cursive, with a long horizontal stroke extending from the bottom of the name.



# CITY AND COUNTY OF SAN FRANCISCO (a) ASSESSMENT ROLLS Fiscal Years 1919-1920 to 1943-1944

Fiscal Year	Real Estate	Improvements	Tangible Personal Property	Less Veterans' Exemptions	Valuations Subject to City and County Rates	Solvent Credits (e)	Stocks and Bonds (d)	Property Assessed by State Board of Equalization (c)	Operative Non-Operative	Operative Roll (b)	Total Assessment Roll	Tax Rate Per \$100 Valuation
1919-20	\$297,744,425	\$184,756,781	\$84,311,606		\$566,812,812	\$585,014,068			\$566,812,812	\$227,272,481	\$794,085,293	\$3.08
1920-21	298,146,865	188,853,890	98,013,313			609,911,764			585,014,068	233,059,934	818,074,002	3.18
1921-22	297,625,295	204,402,007	212,462,451			615,315,097			609,911,764	257,702,240	867,614,004	3.47
1922-23	296,998,570	204,462,451	230,371,461			644,162,653			615,315,097	240,946,158	856,261,255	3.47
1923-24	303,170,530	230,371,461	110,620,662			644,162,653			644,162,653	272,514,917	916,677,570	3.47
1924-25	309,976,590	252,747,908	121,375,422			684,099,920			684,099,920	305,218,982	989,318,902	3.47
1925-26	328,345,480	275,483,311	129,944,189			733,772,980			733,772,980	316,802,456	1,050,575,436	4.13
1926-27	338,373,870	296,410,808	121,844,239			756,628,917			756,628,917	323,914,698	982,543,615	3.66
1927-28	340,908,020	317,845,607	125,673,196			784,426,823			784,426,823	340,926,342	1,025,353,165	3.80
1928-29	347,893,591	337,140,412	121,997,487			807,031,490			807,031,490	380,483,381	1,055,514,871	3.96
1929-30	349,457,070	349,915,305	108,086,685			807,459,060			807,459,060	363,766,920	1,560,205,982	3.94
1930-31	346,787,760	348,341,335	106,640,980			801,770,075			801,770,075	405,228,682	1,708,253,747	4.04
1931-32	344,350,099	351,127,948	97,810,358			793,288,405			793,288,405	437,973,267	1,412,327,865	3.48
1932-33	341,570,705	353,513,845	95,209,061			790,293,611			790,293,611	437,973,267	1,412,327,865	3.48
1933-34	333,115,690	329,544,221	76,793,422			739,453,333			739,453,333	437,973,267	1,412,327,865	3.48
1934-35	324,713,626	328,199,331	75,512,159			815,676,236			815,676,236	816,088,350	1,146,353,819	3.681917
1935-36	324,713,626	328,199,331	75,512,159			815,676,236			815,676,236	816,088,350	1,146,353,819	3.681917
1936-27	325,377,202	334,889,674	74,053,287			816,088,350			816,088,350	816,641,100	1,146,353,819	3.681917
1937-38	324,562,756	336,291,966	79,036,646			823,545,218			823,545,218	980,422,121	3.784	
1938-39	322,417,683	341,878,215	78,005,290			823,988,484			823,988,484	993,399,466	3.871	
1939-40	322,469,139	343,216,155	74,871,973			821,376,558			821,376,558	971,901,241	4.04	
1940-41	312,629,627	348,129,782	77,360,942			820,586,802			820,586,802	984,089,120	3.937	
1941-42	306,293,403	352,478,552	85,482,331			826,470,320			826,470,320	977,191,455	4.295	
1942-43	301,953,723	358,549,932	90,121,886			831,413,397			831,413,397	1,013,964,170	4.396	
1943-44	297,567,134	361,878,165	92,233,107			832,997,134			832,997,134	1,091,906,790	4.48	
	14,843,520	41,293,890	32,631,960			87,100,960			87,100,960	1,176,221,757	4.36	

(a) Includes Junior College, High School and Elementary School Districts.

(b) Not subject to City and County and School District tax levy.

(c) Property assessed by State Board of Equalization—Subject to City and County and School District tax levy.

(d) Eliminated from roll by 1935 legislature, previously taxed at the rate of 20c per \$100.

(e) Taxed at the rate of 10c per \$100.



CITY AND COUNTY OF SAN FRANCISCO  
DETAIL OF TAX RATES

Fiscal Years 1931-32 to 1943-44

1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44
1.084104	1.439628	1.606582	1.5233520	1.305168	1.313201	1.297168	1.416945	1.416945	1.603692	1.305106	1.438962	1.540239
General Fund—Charter Limit \$1.65												
.850640	.340466	.467638	.424391	.410339	.427155	.441201	.515663	.520463	.756389	.702603	.685519	
Limited												
Unified School District						.617683	.681146	.734577	.791007	.797869	.733157	
Common School	.912432	.846772	.333527	.525827	.546397	.569500						
Special School Tax	.052811	.045045	.133765	.076407	.116183	.110734						
Recreation	.054616	.070000	.068826	.079584	.069886	.071666	.069858	.072742	.092023	.074449	.084193	
Park	.100000	.100000	.102964	.109072	.115674	.126173	.116052	.130145	.134666	.162452	.158809	
Library	.043203	.042636	.038537	.050215	.054191	.047873	.047388	.047340	.051480	.049459	.056209	
Employees' Retirement	.068515	.181972	.188637	.205129	.211834	.219404	.225722	.231096	.231838	.232757	.236446	.265255
Bond Interest and Redemption	.686330	.805466	.903356	.968989	.793233	.860871	.909315	.883011	.581581	.532044	.639974	.605890
de Young Museum	.009687	.009071	.008113	.008452	.007553	.008778	.010792	.010155	.010917	.018457	.012941	.016515
California Palace of the Legion of Honor	.009687	.008380	.009318	.008584	.009174	.009514	.009232	.008874	.007415	.009081	.009885	.010502
War Memorial		.008536	.008785	.008802	.010415	.011501	.011202	.011707	.011540	.009903	.013079	.013727
Publicity and Advertising	.027250	.027883	.028128	.020417	.021566	.024259	.040000	.038905	.036029	.036083	.022683	.003266
Tax Judgments	.031361	.034145	.010967	.013564	.011405	.012758	.004675	.005944	.006108	.000523	.011639	
Special Tax Levied Pursuant to Sec. 4056b, Pol. Code							.040000	.012467	.040000	.011635		
Riemen's Relief	.070060											
Blind Pensions Fund	.008116											
Needy Aged Fund	.031188											
Special Election Fund												
Interest on Tax Anticipation Notes			.003676		.000928	.000976	.003516	.006607	.005802	.005007	.004846	
*Lighting Public Streets and Buildings										.112524	.099278	.098656
Airport					.018429	.016837	.022296	.001887	.044310	.042550	.045738	.044040
Hetch Hetchy Water Supply									.199991	.226261	.144137	.016494
Total Levy	4.04	3.96	3.48	3.863622	3.681917	3.784	3.871	4.04	3.937	4.295	4.396	4.36

Included in General Fund in prior years.



**CITY AND COUNTY OF SAN FRANCISCO**  
**AMOUNTS OF TAX LEVIES AND DELINQUENCIES**

**Fiscal Years 1930-31 to 1942-43**

Fiscal Year	Amount of Levy	Uncollected at June 30 Amount	%	Uncollected June 30, 1943 Amount	%
1930-31	\$33,177,550.65	\$ 554,801	1.64	\$ 25,655.47*	.07
1931-32	32,714,462.72	718,830	2.20	26,426.41	.08
1932-33	31,752,725.86	1,706,581	5.37	249,460.97	.78
1933-34	26,583,269.62	1,316,809	4.95	183,740.92	.69
1934-35	28,808,182.68	958,096	3.33	51,798.35	.17
1935-36	30,634,662.45	612,784	2.00	49,283.75	.16
1936-37	30,986,643.33	449,704	1.45	50,519.27	.16
1937-38	31,994,074.61	483,081	1.50	64,112.04	.20
1938-39	33,337,811.68	442,132	1.32	57,864.80	.17
1939-40	32,575,922.01	390,407	1.19	77,164.48	.23
1940-41	35,162,784.71	367,339	1.04	119,956.64	.34
1941-42	36,469,224.70	354,994	.97	185,970.64	.50
1942-43	37,469,083.07	288,158	.76	288,158.58	.76

\*Includes delinquent taxes for 1930-1931 and those of prior years.

**CITY AND COUNTY OF SAN FRANCISCO**  
**BASIS OF TAX LEVY**

**Fiscal Years 1931-32 to 1943-44, Inclusive**

Fiscal Year	Basis of Levy
1931-1932	\$724,886,540
1932-1933	721,252,343
1933-1934	694,815,772
1934-1935	680,141,288
1935-1936	766,223,292
1936-1937	754,537,115
1937-1938	757,155,862
1938-1939	756,115,751
1939-1940	756,757,617
1940-1941	750,308,102
1941-1942	747,749,161
1942-1943	749,497,242
1943-1944	750,698,182

CITY AND COUNTY OF SAN FRANCISCO  
PERCENTAGES OF TAX DELINQUENCY

%	FOR FISCAL YEAR ENDING										%
	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	
5											5
4	4.9										4
3		3.3									3
2			2.0								2
1				1.5		1.3	1.2	1.0	.97	.76	1



## TAX YIELD OF THE CITY AND COUNTY OF SAN FRANCISCO

Fiscal Year 1943-44

## Taxes on Property Assessed by City and County:

## Real Estate, Improvements and Secured Personal Property:

	Valuation	Tax Yield	Rate Per \$100
Real Estate and Improvements.....	\$ 659,445,299	\$28,427,766.92	
Tangible Personal Property.....	9,901,885	430,877.76	
Less Veterans' Exemptions.....	7,450,642		
Net Tangible Value.....	661,896,542	28,858,644.68	\$4.36
Solvent Credits.....	14,162,320	14,163.15	.10
Total.....	676,058,862	28,872,807.83	

## Unsecured Personal Property (Collected):

Tangible Personal Property.....	64,270,554	2,879,311.57	4.48
Solvent Credits.....	213,022,551	213,026.83	.10
Total.....	277,293,105	3,092,338.40	

## Unsecured Personal Property (Uncollected):

Tangible Personal Property.....	18,060,668	809,118.35	4.48
Solvent Credits.....	28,938,792	28,939.17	.10
Total.....	46,999,460	838,057.52	

Total Assessed by City and County Assessor. 1,000,351,427 32,803,203.75

## Taxes on Property Assessed by State Board of Equalization:

Real Estate and Improvements.....	56,137,410	2,447,591.38	4.36
Tangible Personal Property.....	32,631,960	1,422,753.44	4.36
Solvent Credits.....	87,100,960	87,100.96	.10

Total Assessed by State Board of Equalization 175,870,330 3,957,445.78

Total of above Assessments. \$1,176,221,757

Total Tax Yield 1943-44. 36,760,649.53

Reassessments. 2,391.88

Total Tax Yield. \$36,763,041.41

## CITY AND COUNTY OF SAN FRANCISCO

## BONDED DEBIT LIMIT

At July 1, 1943

(Section 104 of the Charter)

12% of Assessment Roll of \$1,176,221,757 for 1943-44. . . .		\$141,146,610
Bonded Debt not Matured—July 1, 1943. . . . .	\$125,596,100	
Bonded Debt not Matured—July 1, 1943. . . . .	88,512,000	37,084,100
(Exempt from 12% Limit). . . . .		
		<hr/>
		\$104,062.510
Deduct unsold bonds not exempt from 12% limit. . . . .		1,800,000
		<hr/>
Limit of Future Bond Issues. . . . .		\$102,262,510
		<hr/>

CITY AND COUNTY OF SAN FRANCISCO  
ANNUAL BOND INTEREST AND REDEMPTION REQUIREMENTS  
BASED UPON BONDED INDEBTEDNESS

As at June 30, 1943

GENERAL CITY PUBLIC SERVICE ENTERPRISES

FISCAL YEAR	GRAND TOTAL	Total	Bond Redemption	Bond Interest	Total	Bond Redemption	Bond Interest
1943-1944	\$ 13,607,293.50	\$ 5,297,908.50	\$ 3,832,100.00	\$ 1,465,808.50	\$ 8,309,385.00	\$ 4,173,000.00	\$ 4,136,385.00
1944-1945	12,906,107.50	4,777,100.00	3,457,000.00	1,320,100.00	8,129,007.50	4,173,000.00	3,956,007.50
1945-1946	12,592,217.50	4,643,587.50	3,457,000.00	1,186,587.50	7,948,630.00	4,173,000.00	3,775,630.00
1946-1947	11,979,442.50	4,210,505.00	3,157,000.00	1,053,505.00	7,768,937.50	4,173,000.00	3,595,937.50
1947-1948	11,565,400.00	3,976,155.00	3,053,000.00	923,155.00	7,589,245.00	4,173,000.00	3,416,245.00
1948-1949	10,573,917.50	3,164,365.00	2,355,000.00	809,365.00	7,409,552.50	4,173,000.00	3,236,552.50
1949-1950	9,731,817.50	2,786,957.50	2,075,000.00	711,957.50	6,944,860.00	3,888,000.00	3,056,860.00
1950-1951	9,460,880.00	2,690,857.50	2,074,000.00	616,857.50	6,770,022.50	3,888,000.00	2,882,022.50
1951-1952	9,190,962.50	2,595,777.50	2,074,000.00	521,777.50	6,595,185.00	3,888,000.00	2,707,185.00
1952-1953	8,148,737.50	1,728,325.00	1,285,000.00	443,325.00	6,420,412.50	3,888,000.00	2,532,412.50
1953-1954	7,636,010.00	1,493,750.00	1,110,000.00	383,750.00	6,142,260.00	3,782,000.00	2,360,260.00
1954-1955	6,598,917.50	1,343,550.00	1,010,000.00	333,550.00	5,255,367.50	3,050,000.00	2,205,367.50
1955-1956	6,212,465.00	1,097,350.00	810,000.00	287,350.00	5,115,115.00	3,050,000.00	2,065,115.00
1956-1957	5,906,262.50	931,400.00	680,000.00	251,400.00	4,974,862.50	3,050,000.00	1,924,862.50
1957-1958	5,733,310.00	898,700.00	680,000.00	218,700.00	4,834,610.00	3,050,000.00	1,784,610.00
1958-1959	5,560,360.00	866,000.00	680,000.00	186,000.00	4,694,360.00	3,050,000.00	1,644,360.00
1959-1960	5,387,410.00	833,300.00	680,000.00	153,300.00	4,554,110.00	3,050,000.00	1,504,110.00
1960-1961	5,114,460.00	700,600.00	580,000.00	120,600.00	4,413,860.00	3,050,000.00	1,363,860.00
1961-1962	4,751,010.00	477,400.00	380,000.00	97,400.00	4,273,610.00	3,050,000.00	1,223,610.00
1962-1963	4,592,560.00	459,200.00	380,000.00	79,200.00	4,133,360.00	3,050,000.00	1,083,360.00
1963-1964	4,419,410.00	426,300.00	365,000.00	61,300.00	3,993,110.00	3,050,000.00	943,110.00
1964-1965	4,198,377.50	345,000.00	300,000.00	45,000.00	3,853,377.50	3,050,000.00	803,377.50
1965-1966	3,066,895.00	300,000.00	300,000.00	30,000.00	2,736,895.00	2,050,000.00	686,895.00
1966-1967	2,957,912.50	315,000.00	300,000.00	15,000.00	2,642,912.50	2,050,000.00	592,912.50
1967-1968	2,548,930.00	2,548,930.00			2,548,930.00	2,050,000.00	498,930.00
1968-1969	2,454,947.50				2,454,947.50	2,050,000.00	404,947.50
1969-1970	2,110,965.00				2,110,965.00	1,800,000.00	310,965.00
1970-1971	1,929,482.50				1,929,482.50	1,700,000.00	229,482.50
1971-1972	775,500.00				775,500.00	600,000.00	175,500.00
1972-1973	748,500.00				748,500.00	600,000.00	148,500.00
1973-1974	721,500.00				721,500.00	600,000.00	121,500.00
1974-1975	694,500.00				694,500.00	600,000.00	94,500.00
1975-1976	667,500.00				667,500.00	600,000.00	67,500.00
1976-1977	640,500.00				640,500.00	600,000.00	40,500.00
1977-1978	613,500.00				613,500.00	600,000.00	13,500.00
	\$195,797,961.00	\$46,389,088.50	\$35,074,100.00	\$11,314,988.50	\$149,408,872.50	\$93,822,000.00	\$55,586,872.50

Bonds outstanding (matured) June 30, 1943 total \$128,896,100.00  
Bonds authorized and unsold June 30, 1943 total \$2,800,000.00



**CITY AND COUNTY OF SAN FRANCISCO**  
**BOND INTEREST AND REDEMPTION**  
**FUNDING STATEMENT**  
**For the Period from July 1, 1935 to June 30, 1944**

SOURCE OF REVENUES:									
FISCAL YEAR ENDED JUNE 30									
General City Issues:									
1936	1937	1938	1939	1940	1941	1942	1943	1944	
Taxes.....	\$ 4,816,199.00	\$ 5,239,364.00	\$ 4,811,362.00	\$ 4,649,713.00	\$ 4,945,754.00	\$ 4,885,809.00	\$ 4,435,701.00	\$ 5,233,117.00	\$ 5,075,528.00
Proceeds from Bond Sales.....	62,679.00	108,502.00	181,000.00	280,000.00	280,000.00	700,000.00	275,000.00	220,000.00	143,000.00
Special Road Improvement Fund.....	200,000.00	200,000.00	265,000.00	265,000.00	250,000.00	250,000.00	275,000.00	220,000.00	143,000.00
Federal Grants.....	742,720.00	511,991.00	278,518.00	930,241.00	237,196.00	194,000.00	48,000.00	40,000.00	115,381.00
Surplus.....	5,758,919.00	6,142,671.00	5,937,240.00	6,025,954.00	5,447,950.00	5,609,809.00	5,458,701.00	5,493,117.00	5,333,909.00
PUBLIC SERVICE ENTERPRISES:									
Utility Earnings:									
Water Department.....	3,022,025.00	2,977,025.00	2,932,025.00	3,718,518.00	3,731,325.00	4,559,590.00	4,129,215.00	4,825,820.00	5,851,517.00
Hetch Hetchy Power.....	2,220,909.00	2,201,854.00	2,085,087.00	2,190,386.00	2,244,878.00	2,245,310.00	2,157,100.00	2,148,690.00	1,971,398.00
Municipal Railway.....	187,500.00	182,500.00	177,500.00	172,500.00	167,500.00	162,500.00	157,500.00	152,500.00	147,500.00
Proceeds from Bond Sales.....	602,000.00	602,000.00	795,782.00	80,327.00	.....	.....	.....	.....	.....
Federal Grants.....	814,280.00	1,062,757.00	110,374.00	.....	.....	.....	.....	.....	.....
Taxes (via Utility).....	1,722,739.00	1,741,072.00	2,640,956.00	2,810,132.00	1,250,268.00	1,833,968.00	2,175,075.00	1,586,503.00	557,720.00
Surplus.....	8,569,453.00	8,392,533.00	8,823,963.00	8,971,863.00	8,971,635.00	8,801,368.00	8,618,890.00	8,713,513.00	8,528,135.00
Total Budgeted Requirements.....	\$14,328,372.00	\$14,535,204.00	\$14,761,203.00	\$14,997,817.00	\$14,419,585.00	\$14,411,177.00	\$14,077,591.00	\$14,206,630.00	\$13,862,044.00



CITY AND COUNTY OF SAN FRANCISCO  
BOND INTEREST AND REDEMPTION

MILLION DOLLARS	REQUIREMENTS FOR FISCAL YEARS ENDING										MILLION DOLLARS
	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	
13											13
12											12
11											11
10	COMBINED GENERAL CITY & COUNTY AND PUBLIC SERVICE ENTERPRISES										10
9											9
8											8
7	PUBLIC SERVICE ENTERPRISES										7
6											6
5											5
4											4
3	GENERAL CITY AND COUNTY										3
2											2
1											1

WZLV

HAROLD J. BOYD, CONTROLLER



CITY AND COUNTY OF SAN FRANCISCO  
STATEMENT OF EXPENDITURES FOR HOSPITALS, CHARITIES, AND CORRECTIONS  
For the Period from July 1, 1933 to June 30, 1943

FISCAL YEAR ENDED JUNE 30

	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
General Administration	\$ 49,540.62	\$ 52,950.06	\$ 93,898.66	\$ 141,010.10	\$ 211,533.21	\$ 208,095.56	\$ 500,895.65(a)	\$ 111,050.37	\$ 102,779.02	\$ 137,504.31
Relief of Needy and Unemployed	41,653.31(a)	1,649,973.42	1,084,350.97	1,628,894.60	2,097,288.15	2,431,297.55	2,261,399.13	2,350,288.35	2,722,026.92	1,792,124.21
Poor in Institutions	462,748.12	492,858.81	543,110.33	576,303.13	592,388.78	612,752.72	609,538.65	808,885.40	363,929.77	364,586.08
Care of Children	783,210.66	794,553.83	794,311.67	842,525.00	873,746.39	1,014,874.36	1,093,701.83	1,177,179.32	1,062,666.00	782,401.26
Hospitals	1,348,703.73	1,432,241.41	1,594,370.26	1,697,073.46	1,797,316.44	1,813,804.47	1,920,658.29	2,523,969.65	2,741,428.16	2,730,926.68
Insane in Hospitals	160,151.42	160,755.00	167,282.88	114,524.56	173,867.44	180,960.16	181,234.87	174,638.08	185,099.99	182,248.09
Relief of Needy Aged	386,474.88	437,823.70	842,247.33	1,924,094.85	2,897,194.73	3,597,510.01	4,368,539.19	5,494,434.25	5,472,964.78	5,228,737.19
Relief of Needy Blind	88,741.84	98,366.50	107,310.18	143,961.35	214,738.65	242,543.62	297,651.13	332,035.52	288,880.84	297,910.09
County Jails	167,707.48	181,901.56	212,624.42	242,490.90	247,086.64	226,694.20	233,828.39	230,647.40	260,496.97	274,695.81
Juvenile Court and Detention Home	89,829.86	95,422.12	102,942.75	114,960.36	128,070.03	124,186.89	128,808.90	50,460.23	78,289.61	100,719.80
Adult Probation Board	24,102.20	25,079.78	25,665.34	26,482.80	26,536.99	27,326.35	26,313.95	26,158.67	26,773.09	31,188.83
Burial of Indigent Dead	12,128.00	12,884.00	11,221.00	13,158.00	10,458.00	13,342.00	13,426.00	13,320.00	13,398.00	13,760.00
Coordinating Council Expense	83,614,992.12	.....	.....	.....	.....	1,757.15	7,008.47	6,344.65	6,245.45	6,358.95
	\$3,614,992.12	85,434,810.19	\$6,579,335.79	\$7,465,479.11	\$9,270,225.45	\$10,495,145.04	\$11,643,004.45	\$12,805,411.89	\$13,324,978.60	\$11,943,161.30

(a) The Relief of Needy and Unemployed for the fiscal year 1933-1934 was financed from the proceeds of the sale of the 1932 Relief Bonds.

(b) General Administration expense for the fiscal year 1939-1940 includes the cost of distributing funds, which was previously included in relief expenditures.



## CITY AND COUNTY OF SAN FRANCISCO

## SUMMARY OF CIVILIAN DEFENSE AND WAR SERVICE EXPENDITURES

For the Year Ended June 30, 1943

CURRENT FUND EXPEN- DITURES:	Total	General City Departments	Public Service Enterprises	1942 Fire Protection Bond Fund
Personal Services.....	\$ 303,526.38	\$268,347.68	\$ 35,178.70	.....
Contractual Services.....	218,036.10	147,764.66	70,271.44	.....
Materials and Supplies.....	88,365.64	87,556.17	809.47	.....
Equipment.....	178,683.80	173,727.79	4,956.01	.....
Shelter for Servicemen.....	17,914.97	17,914.97	.....	.....
	<u>806,526.89</u>	<u>695,311.27</u>	<u>111,215.62</u>	.....
BOND FUND EXPENDI- TURES:				
Improvements and Equip- ment.....	748,077.39	.....	.....	\$748,077.39
Total.....	<u>*\$1,554,604.28</u>	<u>\$695,311.27</u>	<u>\$111,215.62</u>	<u>\$748,077.39</u>

\*Expenditures of the San Francisco Unified School District in connection with the war training program are not included in this schedule.

Personal Services:				
Civilian War Council:	Total	General City Departments	Public Service Enterprises	
Director, Civilian Defense.....	\$ 7,180.00	\$ 7,180.00	.....	.....
Assistant Directors, Civilian Defense..	8,455.35	8,455.35	.....	.....
Assistant Chief, Public Information....	3,600.00	3,600.00	.....	.....
Director, Volunteer Service.....	2,092.50	2,092.50	.....	.....
Secretary, Advisory Board.....	911.29	911.29	.....	.....
Field Supervisor, Air Raid Warden Ser- vice.....	150.00	150.00	.....	.....
Publicity Director—Part Time.....	527.31	527.31	.....	.....
Co-ordinator, War Time Harvest.....	425.81	425.81	.....	.....
General Clerk.....	820.00	820.00	.....	.....
General Clerk-Stenographers.....	27,280.96	27,280.96	.....	.....
General Clerk-Typists.....	36,564.46	36,564.46	.....	.....
Telephone Operator.....	1,800.00	1,800.00	.....	.....
Key Punch Operator.....	765.00	765.00	.....	.....
Office Assistant.....	1,196.20	1,196.20	.....	.....
Other Departments:				
Mayor's Office.....	5,500.00	5,500.00	.....	.....
Police Department.....	5,247.12	5,247.12	.....	.....
Fire Department.....	148,310.78	148,310.78	.....	.....
California Palace Legion of Honor.....	6,336.66	6,336.66	.....	.....
de Young Museum.....	4,698.80	4,698.80	.....	.....
Purchasing Department.....	40.86	40.86	.....	.....
Department of Electricity.....	1,623.42	1,623.42	.....	.....
Department of Public Health.....	887.75	887.75	.....	.....
Public Welfare Department.....	2,014.65	2,014.65	.....	.....
Coroner.....	1,918.76	1,918.76	.....	.....
Water Department.....	23,333.94	.....	.....	\$23,333.94
Hetch Hetchy Projects.....	11,844.76	.....	.....	11,844.76
	<u>\$303,526.38</u>	<u>\$268,347.68</u>	<u>\$35,178.70</u>	.....

CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE AND WAR SERVICE EXPENDITURES

For the Year Ended June 30, 1943

Contractual Services:

Temporary Improvements:	Total	General City Departments	Public Service Enterprises
Degassing Stations.....	\$ 12,320.73	\$ 12,320.73	.....
Gas Cleansing Station.....	4,340.75	4,340.75	.....
Gas Decontaminator Unit.....	969.32	969.32	.....
Blast Protection and Blackout for Windows.....	3,262.44	3,262.44	.....
General Construction, Alterations and Remodeling.....	16,319.24	12,581.08	\$ 3,738.16

Maintenance and Repairs:

Buildings.....	18,708.56	8,921.83	9,786.73
Other Structures.....	3,900.48	.....	3,900.48
Automotive Equipment.....	1,569.28	1,528.97	40.31
Office Appliances.....	361.90	361.90	.....
Office Equipment.....	861.59	.....	861.59
Transportation and Travel Expense.....	14,659.11	11,405.96	3,253.15
Heat, Light, Power, Electricity, Water...	3,840.66	3,762.32	78.34
Telephone and Telegraph.....	44,071.46	44,044.54	26.92
Postage.....	4,302.87	4,302.87	.....
Blueprinting, Mimeograph and Photography	15,497.70	15,490.85	6.85
Janitorial and Window Service.....	7,026.73	7,026.73	.....
Rental of Equipment.....	1,898.64	1,898.64	.....
Professional and Special Services.....	8,025.80	7,906.35	119.45
Safeguarding Utility Property.....	48,446.55	.....	48,446.55
Other Contractual Services.....	7,652.29	7,639.38	12.91
	<u>\$218,036.10</u>	<u>\$147,764.66</u>	<u>\$70,271.44</u>

CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE AND WAR SERVICE EXPENDITURES

For the Year Ended June 30, 1943

Materials and Supplies:	Total	General City Departments	Public Service Enterprises
Aggregates and Other Building Materials. . . \$	8,995.72	\$ 8,955.05	\$ 40.67
Lumber and Millwork. ....	8,856.31	8,711.47	144.84
Builders' and Miscellaneous Hardware. ....	18,623.43	18,595.10	28.33
Other Construction Supplies. ....	1,005.93	767.43	238.50
Fuels, Illuminants and Lubricants. ....	1,293.30	1,215.31	77.99
Household and Janitorial Supplies. ....	2,485.33	2,485.33	.....
Dry Goods, Notions and Fabrics. ....	18,348.59	18,348.59	.....
Wearing Apparel. ....	7,243.44	7,243.44	.....
Drugs, Chemicals and Gases. ....	2,267.35	2,267.35	.....
Hospital and Laboratory Supplies. ....	5,904.35	5,904.35	.....
Stationery and Office Supplies. ....	11,684.56	11,680.20	4.36
Other Materials and Supplies. ....	1,657.33	1,382.55	274.78
	<u>\$88,365.64</u>	<u>\$87,556.17</u>	<u>\$809.47</u>

## CITY AND COUNTY OF SAN FRANCISCO

## CIVILIAN DEFENSE AND WAR SERVICE EXPENDITURES

For the Year Ended June 30, 1943

Equipment:	Total	General City Departments	Public Service Enterprises
Office Furniture.....	\$ 2,970.04	\$ 2,970.04	.....
Hospital and Clinic Furniture.....	2,120.07	2,120.07	.....
Office Furnishings.....	124.38	124.38	.....
Office Equipment.....	507.48	507.48	.....
Refrigerating and Heating Equipment.....	2,013.01	2,013.01	.....
1 Motor Generator Set.....	692.52	692.52	.....
2 Short Wave Radio Sets.....	176.29	113.49	\$ 62.80
5 Chrysler Bell Victory Air Raid Sirens...	19,364.00	19,364.00	.....
2 Information Panels, Map Board and Plat- form.....	1,284.25	1,284.25	.....
5 Sirens and 13 Red Lights Installed, Air Raid Wardens' Cars.....	297.76	297.76	.....
Installing Air Raid Sirens.....	4,622.49	4,622.49	.....
Surgical and Medical Equipment.....	777.13	777.13	.....
50 Fire Pumpers with 4" Hose.....	48,313.18	48,313.18	.....
50 Auxiliary Pumps.....	25,002.17	25,002.17	.....
230 Deming Stirrup Pumps with 4" Hose...	2,372.34	2,372.34	.....
Hand Fire Extinguishers.....	21.54	21.54	.....
Installing Tapper System.....	184.36	184.36	.....
22,139 Steel Helmets.....	44,498.42	44,498.42	.....
1,400 Lincoln Gas Alarm Clackers.....	2,379.30	2,379.30	.....
4,000 Regulation Military Police Clubs....	3,048.80	3,048.80	.....
600 Revolver Holsters.....	692.16	692.16	.....
74 Oxygen Administration Sets.....	1,850.00	1,850.00	.....
Automobiles and Trucks:			
2—1940 Mercury Sedans.....	1,598.56	1,598.56	.....
3—1939 Buick Sedans.....	2,397.84	2,397.84	.....
1—1940 Ford Station Wagon.....	1,149.48	1,149.48	.....
1—1940 Oldsmobile Sedan.....	798.25	798.25	.....
1—1940 Ford Sedan.....	788.98	788.98	.....
2—1940 Ford Sedans.....	1,565.60	1,565.60	.....
1—1939 Ford Sedan.....	710.70	710.70	.....
1—1939 Plymouth Sedan.....	618.00	618.00	.....
1—1940 Plymouth Sedan.....	798.25	798.25	.....
1—1939 Chevrolet Sedan.....	749.84	749.84	.....
8—1940 Chevrolet Sedans.....	6,394.24	6,394.24	.....
3—New Pontiac 4-Door Sedans.....	3,729.54	.....	3,729.54
1—New Chevrolet Sport Sedan.....	1,163.67	.....	1,163.67
20—Used Motoreycles from Police De- partment.....	2,525.00	2,525.00	.....
1—New 1-Ton Dodge Truck.....	1,220.49	1,220.49	.....
1—1940 Ford Truck.....	1,107.25	1,107.25	.....
1—1936 Dodge Truck.....	618.00	618.00	.....
1—1936 Ford Truck.....	556.20	556.20	.....
1—1936 G.M.C. Truck.....	566.50	566.50	.....
1—1941 Chevrolet Truck.....	1,199.95	1,199.95	.....
1—1937 Ford Truck.....	719.97	719.97	.....
19—Used Cars transferred to Police De- partment.....	*15,604.20	*15,604.20	.....
	\$178,683.80	\$173,727.79	\$4,956.01

\*Indicates red figures.

CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE AND WAR SERVICE EXPENDITURES

For the Year Ended June 30, 1943

1942 Fire Protection Bond Fund Expenditures:

Improvements:

50 Auxiliary Fire Houses (cost when completed to be approximately \$75,000).....	\$ 57,931.28
--	--------------

Automotive Equipment:

5 Used Ford Trucks.....	3,042.72
52 Used Chevrolet Trucks.....	24,925.28
30 Used Dodge Trucks.....	8,125.75
6 Used G. M. C. Trucks.....	3,677.85
2 Used Harley Davidson Service Cars.....	1,081.50
90 Used White Horse Delivery Trucks.....	106,605.00
30 Steel Truck Bodies.....	5,817.00
12 New Plymouth De-Luxe Coupes.....	14,142.84

Other Equipment:

10,200 Stirrup Pumps.....	52,530.00
320 Steel Helmets.....	741.60
Tires and Tubes.....	5,658.00
186,300 feet Fire Hose.....	86,982.70
100,000 feet Garden Hose.....	5,814.14
50 dozen Fire Pick-axes.....	2,013.75
336 Trailer Mounted Pumping Units.....	333,404.23
2,685 Shut-off Nozzles and Hose Fittings.....	8,373.56
5 High Pressure Valves.....	2,240.25

Miscellaneous:

Conditioning Trucks and Pumps.....	24,969.94
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\$748,077.39





CITY AND COUNTY OF SAN FRANCISCO  
CIVILIAN DEFENSE AND WAR SERVICE APPROPRIATIONS, AS BUDGETED  
For the Fiscal Year 1943-44

General City:					
Civilian Defense—Headquarters.	\$	63,570.00	\$	44,200.00	\$
Public Information.		42,950.00		16,660.00	
Instructor's Corps.		7,750.00			
Air Raid Warden Service.		130,761.00		50,640.00	
Civilian War Council.		2,880.00		1,860.00	
Volunteer Office.		32,845.00		14,680.00	
Evacuation Service.		1,070.00			
Ground Observation Corps.		498.00			
Communications—Control Center.		57,687.00		13,036.00	
San Francisco Bay Region—Control Center.		705.00		210.00	
Transportation.		2,250.00		2,000.00	
Messenger Service.		800.00		200.00	
Air Raid Shelter Service.		3,000.00		550.00	
Auxiliary Police.		6,975.00		1,700.00	
Hospitalization for Volunteers.		5,000.00		5,000.00	
Decontamination Corps.		9,200.00		250.00	
Demolition and Clearance Crews.		1,000.00			
War Price and Rationing Board.		24,090.00		7,290.00	
San Francisco War Housing Center.		9,900.00		5,500.00	
Executive Services.		2,850.00		620.00	
Nutrition Services.		9,220.00		3,160.00	
Victory Garden—Advisory Council.		4,320.00		1,920.00	
Salvage for Victory.		5,420.00		1,920.00	
Hospitality House.		31,568.00		10,388.00	
Unallocated for Emergencies.		395,679.00		2,760.00	
Services of Fire Department.		204,321.00		17,203.00	
Services of Police Department.		6,886.00			
Services of Coroner's Office.		2,292.00		1,000.00	
War Training Program at Schools.		70,000.00			
Services of the Department of Public Health.		1,962.00			
Bond Interest and Redemption on War Protection Bond Issues.		343,500.00			
Total	\$	63,570.00	\$	44,200.00	\$
Personal Services					
Equipment	\$	400.00	\$		
Contractual Services	\$	6,000.00	\$		
Materials and Supplies	\$	3,330.00	\$		
Other					
Civilian Defense—Headquarters.	\$	63,570.00	\$	44,200.00	\$
Public Information.		42,950.00		16,660.00	
Instructor's Corps.		7,750.00			
Air Raid Warden Service.		130,761.00		50,640.00	
Civilian War Council.		2,880.00		1,860.00	
Volunteer Office.		32,845.00		14,680.00	
Evacuation Service.		1,070.00			
Ground Observation Corps.		498.00			
Communications—Control Center.		57,687.00		13,036.00	
San Francisco Bay Region—Control Center.		705.00		210.00	
Transportation.		2,250.00		2,000.00	
Messenger Service.		800.00		200.00	
Air Raid Shelter Service.		3,000.00		550.00	
Auxiliary Police.		6,975.00		1,700.00	
Hospitalization for Volunteers.		5,000.00		5,000.00	
Decontamination Corps.		9,200.00		250.00	
Demolition and Clearance Crews.		1,000.00			
War Price and Rationing Board.		24,090.00		7,290.00	
San Francisco War Housing Center.		9,900.00		5,500.00	
Executive Services.		2,850.00		620.00	
Nutrition Services.		9,220.00		3,160.00	
Victory Garden—Advisory Council.		4,320.00		1,920.00	
Salvage for Victory.		5,420.00		1,920.00	
Hospitality House.		31,568.00		10,388.00	
Unallocated for Emergencies.		395,679.00		2,760.00	
Services of Fire Department.		204,321.00		17,203.00	
Services of Police Department.		6,886.00			
Services of Coroner's Office.		2,292.00		1,000.00	
War Training Program at Schools.		70,000.00			
Services of the Department of Public Health.		1,962.00			
Bond Interest and Redemption on War Protection Bond Issues.		343,500.00			
Total	\$	63,570.00	\$	44,200.00	\$
Personal Services					
Equipment	\$	400.00	\$		</



# Office of the Controller

## Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1943

ERNST & ERNST  
ACCOUNTANTS AND AUDITORS  
SYSTEM SERVICE

San Francisco  
300 Montgomery Street

September 25, 1943.

To the Honorable Board of Supervisors,  
City and County of San Francisco,  
San Francisco, California.

In accordance with your order as set forth in Resolution No. 3513, adopted July 26, 1943, we have made an examination relating to the transactions, accounts and records pertaining to the office of the Controller of City and County of San Francisco for the year ended June 30, 1943, as hereafter commented upon. During our examination, we reviewed the system of internal control and the accounting procedures relating to revenues, expenditures, appropriations and encumbrances and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The Charter provides for audit by the Controller of accounts of all boards, officers and employees of the City and County charged in any manner with the custody, collection or disbursement of funds. We examined the report of the General Audit Division of the Controller's office as at June 30, 1943, covering examination of the cash, securities and accounts of the Treasurer's office and we also examined the audit assignment schedules of both the General and the Public Utilities Audit Divisions. The Controller's office also examined the accounts of the San Francisco Airport and the accompanying information relating to the Public Utilities Commission was compiled by the Controller's office.

The accounts of the Municipal Railway, San Francisco Water Department and Hetch Hetchy Water Supply and Power Project, were examined or were in the course of examination by independent public accountants. The figures included in this report for the several Public Utility Enterprises and the Treasurer's office correspond in amount and approximate classification with those submitted to us by the respective auditors who were individually requested to submit to us any additional adjustments made during the progress of their examinations. All such reported adjustments have been given effect to in the accompanying statements.

# REVENUES, EXPENDITURES AND CURRENT SURPLUS

We made a general review of the recorded General City and County revenues and expenditures for the year and we made test checks in regard thereto, but in accordance with the terms of our engagement, we did not make a detailed examination of the transactions for the year.

Following is a condensed comparative summary of General City and County revenues, expenditures and current surplus for the years ended June 30, 1943, and June 30, 1942:

	Year Ended June 30,	
	1943	1942
Revenues:		
Property taxes and penalties.....	\$37,459,590.91	\$36,449,752.78
Other taxes and licenses.....	1,096,052.37	1,058,009.78
Received through State of California.....	12,638,870.67	13,381,805.82
General City and County services.....	1,922,610.81	2,140,159.48
Contributions from Water Department.....	875,121.14	318,678.00
Fines, forfeits and penalties.....	522,375.40	580,211.57
Cash transferred from capital funds.....	37,973.19	748,183.89
From use of money and property.....	17,963.91	24,702.11
Total revenues.....	<u>\$54,570,558.40</u>	<u>\$54,701,503.43</u>
Expenditures:		
General City and County expenses.....	\$40,159,585.75	\$41,650,845.56
Bond interest and redemption.....	4,847,887.83	4,863,342.08
Pensions and compensation insurance.....	2,631,942.56	2,493,028.64
Contributions to public service enterprises.....	2,459,387.16	2,533,029.70
Contributions to other civil projects.....	131,000.00	141,000.00
Capital additions from revenues.....	1,147,720.68	1,473,319.95
Civilian Defense.....	695,311.27	348,154.57
Other.....	391,913.38*	891,178.97
Total expenditures.....	<u>\$51,680,921.87</u>	<u>\$54,393,899.47</u>
Net revenues.....	\$ 2,889,636.53	\$ 307,603.96
Current surplus from preceding year.....	6,740,068.05	6,432,464.09
Current surplus at end of year.....	<u>\$ 9,629,704.58</u>	<u>\$ 6,740,068.05</u>

The summary of general City and County revenues, expenditures and current surplus does not include the revenues, expenditures and surplus of public service enterprises, a summary of which is included elsewhere in this report.

The following comments relate to items set forth in the condensed comparative summary of general City and County revenues, expenditures and current surplus:

## Property taxes:

The increase in revenues from property taxes and penalties in the amount of \$1,009,838.13 arises from the following changes in tax rate and assessed valuation:

	Taxes	Tax Rate
1942-1943	\$37,459,590.91	4.48
1941-1942	36,449,752.78	4.396
Increase	<u>\$ 1,009,838.13</u>	

\*Indicates red figures.

Following is a summary of the assessment rolls:

Property assessed by City and County Assessor:

Tangible property:

	1942-43	1941-42
Real Estate and Improvements.....	\$ 660,503,655	\$ 658,771,955
Personal property, secured.....	8,074,861	6,836,182
Total.....	\$ 668,578,516	\$ 665,608,137
Less Veterans' exemptions.....	7,472,254	7,177,626
	\$ 661,106,262	\$ 658,430,511
Personal property, unsecured.....	82,047,025	78,646,149
Total.....	\$ 743,153,287	\$ 737,076,660

Intangible property:

Solvent credits (10c per \$100).....	\$ 194,667,853	\$ 150,089,220
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Property assessed by State Board of Equalization:

Tangible property:

Real Estate and Improvements.....	\$ 56,116,120	\$ 56,484,740
Personal property.....	32,143,990	32,908,920
	\$ 88,260,110	\$ 89,393,660

Intangible property:

Solvent credits (10c per \$100).....	\$ 65,825,540	\$ 37,404,630
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Total property subject to City and

County taxes.....	\$1,091,966,790	\$1,013,964,170
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The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

- (1) Railroad companies including street railways, herein defined to include interurban railways, whether operating in one or more counties
- (2) Sleeping car, dining car, drawing room car, and palace car companies, refrigerator, oil, stock, fruit and other car-loading and other car companies, operating upon the railroads in the state
- (3) Companies doing express business on any railroad, steamboat, vessel, or stage line in the state
- (4) Telegraph and telephone companies
- (5) Companies engaged in the transmission or sale of gas or electricity."

**Other taxes and licenses:**

The items included under this caption for the current year are set forth below in more comprehensive detail and compared with items of the preceding year:

	Year Ended June 30,	
	1943	1942
<b>Franchise taxes:</b>		
The Pacific Telephone and Telegraph Company....	\$ 360,058.81	\$ 305,971.31
Market Street Railway Company.....	52,489.09	40,787.58
California Street Cable Railroad Company.....	5,339.20	4,445.66
American District Telegraph Company.....	5,557.33	5,022.05
Pacific Gas and Electric Company.....	174,221.62	166,644.94
Total franchise taxes.....	\$ 597,666.05	\$ 522,871.54
<b>Licenses:</b>		
Business.....	\$ 408,279.17	\$ 445,989.24
Professional and occupational.....	31,260.15	39,278.50
Vehicles.....	31,372.50	25,839.50
Non-business.....	27,474.50	24,031.00
Total licenses.....	\$ 498,386.32	\$ 535,138.24
Total franchise taxes and licenses.....	\$1,096,052.37	\$1,058,009.78

**Revenues received through the State of California:**

Following is a comparative summary of the captioned items received through the State of California:

	Year Ended June 30,	
	1943	1942
Alcoholic beverage licenses.....	\$ 490,056.37	\$ 450,700.56
Motor vehicle licenses—County.....	325,009.06	531,619.38
Motor vehicle licenses—City.....	446,284.92	559,078.29
County roads.....	1,171,799.18	1,310,875.75
Gas tax street improvement.....	475,114.31	602,051.30
Tubercular patients.....	91,178.13	89,794.84
Maintenance of minors.....	249,736.52	338,516.71
Needy half orphans.....	212,013.97	238,289.59
Needy blind.....	202,989.57	211,168.46
Needy aged.....	3,841,243.46	4,037,588.99
Elementary schools.....	2,185,321.14	2,238,704.98
High schools.....	2,386,836.81	2,394,962.41
Vocational training and other.....	547,418.01	378,454.56
Civilian War Assistance.....	13,869.22	0
Total.....	\$12,638,870.67	\$13,381,805.82

**General City and County Expenses:**

General City and County expenses showed a decrease of \$1,491,259.81 for the current year from the preceding year. These expenses are set forth below according to functional captions and compared for the two years:

	Year Ended June 30,	
	1943	1942
General government.....	\$ 4,017,123.70	\$ 3,966,206.85
Public safety.....	7,285,237.56	7,383,683.83
Highways.....	1,364,302.04	1,388,509.01
Sanitation and waste removal.....	1,099,575.42	1,187,541.87
Health conservation.....	805,063.46	824,803.59
Hospitals.....	3,009,897.72	2,982,139.61
Charities.....	8,526,659.14	9,977,279.32
Corrections.....	406,604.44	365,559.67
Schools and libraries.....	11,086,220.69	10,963,337.17
Recreation.....	2,558,841.58	2,611,784.64
Total.....	<u>\$40,159,585.75</u>	<u>\$41,650,845.56</u>
		40,159,585.75
Decrease.....		<u>\$ 1,491,259.81</u>

A more comprehensive detailed comparison of General City and County expenses is shown in a separate schedule submitted elsewhere in this report.

**PROPRIETARY BALANCE SHEET**

The following comments relate to General City and County items shown in the Proprietary Balance Sheet and to the scope of our examination:

**Fixed Capital**

Our review and test check of vouchers relating to property accounts served to indicate that charges to General City and County properties made during the year represented proper additions to said accounts.

It is not the custom of the City and County to provide for depreciation of fixed assets except in the cases of the Public Service Enterprises.

**Cash**

An examination of the records in regard to money received and disbursed by the Treasurer during the year was made by the General Audit Division of the Controller's office whose report is elsewhere included in the annual report of the Controller.

We requested confirmation from custodians of imprest funds maintained by General City and County departments aggregating \$35,450.00 and the replies received at the date hereof served to indicate the correctness of the amount shown herein.

**Taxes Receivable**

A summary of taxes receivable is set forth as follows:

Taxes:	Secured	Unsecured	Total
1942-43.....	\$209,996.06	\$ 78,162.52	\$ 288,158.58
1941-42.....	\$109,167.43	\$ 76,803.21	\$ 185,970.64
1940-41.....	71,998.18	47,958.46	119,956.64
1939-40.....	48,603.61	28,560.87	77,164.48
Prior years.....	235,013.84	542,036.99	777,050.83
	<u>\$464,783.06</u>	<u>\$695,359.53</u>	<u>\$1,160,142.59</u>
	\$674,779.12	\$773,522.05	\$1,448,301.17
Penalties, costs and interest.....	19,608.85	110,800.83	130,409.68
Total.....	<u>\$694,387.97</u>	<u>\$884,322.88</u>	<u>\$1,578,710.85</u>



Unsecured taxes, costs, penalties and interest receivable aggregating \$884,322.88, as shown in the preceding summary, are fully reserved to provide for the possibility of non-payment.

Taxes receivable were not confirmed by communication with property owners, but we checked footings and computations for a number of the delinquent tax roll volumes.

#### Franchises and Subventions Receivable

The composition of the amount of \$1,611,199.81 is set forth in the following summary:

##### Franchise revenues receivable:

Pacific Telephone and Telegraph Company.....	\$ 245,000.00
Pacific Gas and Electric Company.....	82,000.00
Market Street Railway Company.....	26,000.00
American District Telegraph Company.....	2,700.00
California Street Cable Railroad Company.....	2,600.00
	<u>\$ 358,300.00</u>

##### Subventions receivable from the State of California:

County roads.....	\$447,579.20
Beverage licenses.....	298,300.00
Special gas tax street improvements.....	200,618.09
Vocational training.....	93,836.51
Motor vehicles license.....	113,730.92
Tubercular patients.....	45,600.00
Fire boats.....	21,000.00
Maintenance of aged and minors.....	32,235.09
	<u>1,252,899.81</u>

Total.....\$1,611,199.81

The franchise revenues receivable represent accruals to June 30, 1943, based upon available data. The above amounts are set forth in accordance with confirmations received, claims filed or estimates covering claims expected to be filed.

#### Other Accounts and Note Receivable

A summary of the composition of the amount for other accounts and note receivable is shown as follows:

##### General City and County:

Departmental accounts receivable.....	\$ 810,737.28
Golden Gate Bridge and Highway District.....	10,372.00
San Francisco Housing Authority.....	15,656.40
Other.....	14,647.16

Total General City and County.....\$ 851,412.84

Public Service Enterprises.....841,702.14

Total.....\$1,693,114.98

Accounts shown in the preceding summary in the aggregate amount of \$851,412.84 for General City and County are reserved to the extent of \$821,109.28 and a reserve of \$41,734.35 is carried with respect to accounts of Public Service Enterprises.

Departmental accounts receivable are not taken up on the Controller's records until they become delinquent or it is decided that special collection effort is necessary. At that time they are turned over to the Bureau of Delinquent Accounts and the amount is taken up by the Controller as a receivable with an offsetting reserve for the full amount.

We did not independently confirm the balances of the accounts by direct communication with the debtors.

## Investments

Investments are set forth in the following summary:

Employees' Retirement System—bonds:		
	Par Value	Book Value
Municipal.....	\$18,698,600.00	\$20,955,779.48
State of California.....	1,197,000.00	1,227,042.32
United States of America.....	9,730,000.00	9,752,929.90
Public Utility.....	1,026,000.00	1,062,998.05
Railroads.....	503,100.00	497,127.74
Total Employees' Retirement System.....	\$31,154,700.00	\$33,495,877.49
Bequests and Trust Funds:		
Stocks and bonds.....		\$ 374,605.72
Real estate, etc.....		54,840.00
Total bequests and trust funds.....		\$ 429,445.72
Total.....		<u>\$33,925,323.21</u>

The above investment securities are in the joint custody of the Controller and the Treasurer. Joint inspection of Employees' Retirement System securities was made by the Controller's audit staff and independent public accountants for the system. Bequest and trust fund securities were accounted for by the Controller's audit staff only.

### Lease Deposit

The deposits of \$113,750.00 face value of 2½% United States of America Treasury Bonds were required by the City and County in connection with leases of property. The securities evidencing the deposits were inspected by the General Audit Division of the Controller's office.

### Deferred Charges

Relief expenditures financed by long-term loans.

The amount of \$3,262,796.90 represents the balance at June 30, 1943 of bonds outstanding and relief loans payable to the State of California in connection with prior years' financing of relief as follows:

Sale of relief bonds.....	\$6,500,000.00
Redemptions.....	3,794,000.00
Amount outstanding.....	<u>\$2,706,000.00</u>
Loans from State of California.....	\$2,017,261.00
Payments.....	<u>1,460,464.10</u>
Total.....	<u>\$3,262,796.90</u>

## State of California for relief loan.

The loans comprising the above amount are summarized as follows:

Date of Loan	Interest Rate	Original Amount	Annual Installment	Unpaid Balance June 30, 1943
Nov. 16, 1933	4 $\frac{1}{4}$ %	\$1,000,000.00	\$100,000.00	\$400,000.00
Aug. 11, 1934	3 $\frac{3}{4}$ %	550,709.00	55,070.90	110,141.70
April 26, 1934	4 $\frac{1}{2}$ %	466,552.00	46,655.20	46,655.20
Total				<u>\$556,796.90</u>

## Commitments

The detail of General City and County commitments is shown as follows:

	Original Amount	Balance June 30, 1943
Employees' Retirement System		\$6,269,003.66
Land purchases:		
Yacht Harbor	\$390,707.00	\$ 247,137.99
Fleishhacker playground	363,986.00	213,917.37
Aquatic Park	142,500.00	44,166.66
Total		<u>\$ 505,222.02</u>
Other commitments:		
Joint Highway District No. 10	\$818,000.00	\$ 467,702.00
Judgments		113,843.03
		<u>\$ 581,545.03</u>
Total		<u>\$7,355,770.71</u>

The items of Commitments are offset by a contra liability shown under accounts payable in the proprietary balance sheets. The commitments for land purchases set forth in the foregoing paragraph were test checked as to accuracy by communication with the respective creditors.

## Bonded Debt

A summary relating to bonds outstanding is presented as follows:

	Total	Public Service Enterprises	General City and County
Outstanding June 30, 1942	\$136,292,800.00	\$98,011,300.00	\$38,281,500.00
Sales	700,000.00	0	700,000.00
	<u>\$136,992,800.00</u>	<u>\$98,011,300.00</u>	<u>\$38,981,500.00</u>
Redeemed	8,011,600.00	4,179,400.00	3,832,200.00
Outstanding June 30, 1943	<u>\$128,981,200.00</u>	<u>\$93,831,900.00</u>	<u>\$35,149,300.00</u>

We inspected the Controller's records in respect to bonds outstanding at June 30, 1943, and of sales and redemptions for the year. At June 30, 1943, bonds in the aggregate amount of \$2,800,000.00 had been authorized but were unissued, the description of which follows:

Fire protection	\$1,800,000.00
Water works system	1,000,000.00
Total	<u>\$2,800,000.00</u>

The Charter provides that the bonded debt, exclusive of (1) debt incurred for the financing of public improvements, the cost of which is assessed against private property benefitted thereby, and (2) debt incurred for water supply, storage or distribution purposes, shall not exceed 12% of the assessed value of all real and personal property subject to City and County taxes.

A summary of the assessment roll of March, 1943 (for the year 1943-44) follows:

Real estate and improvements and secured personal property taxable at \$4.36 per \$100.00 (1943-44 rate).....	\$ 750,698,182
Unsecured tangible personal property, taxable at \$4.48 per \$100.00 (1942-43 rate).....	82,363,098
Total tangible property.....	\$ 833,061,280
Solvent credits, taxable at the rate of 10c per \$100.00.....	343,202,832
Total property subject to City and County taxes.....	<u>\$1,176,264,112</u>

The tax rate of 10c per \$100.00 on solvent credits was first applied in the fiscal year 1929-30. Prior to that year solvent credits were taxed at the same rates as tangible property. The 12% limit on bonded indebtedness was fixed by a charter amendment voted November 2, 1926. Prior to that date the limit was 15%.

Bonded debt as at July 1, 1943, subject to the 12% limit, amounted to \$37,784,100, as follows:

Bonds not matured.....	\$128,896,100
Deduct bonded indebtedness created for water supply, storage or distribution not subject to 12% limitation.....	91,112,000
Bonded debt subject to 12% limit.....	<u>\$ 37,784,100</u>

#### Notes and Accounts Payable

The various amounts shown as notes and accounts payable—general City and County in the proprietary balance sheet were proved by trial balances and include encumbrances represented by contracts, purchase orders, special orders and orders for work and miscellaneous obligations. The balance of loans unpaid in the amount of \$556,796.90 were confirmed by communication with the State of California. The amount for commitments is offset by a contra item of like amount among deferred charges.

### Contingent Liabilities

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. The bonds of that district, outstanding in the amount of \$34,800,000.00, are a general obligation of the district and are payable (to the extent that revenues of the district may be insufficient to meet operating expenses, interest and redemption charges) from ad valorem taxes which may be levied, without limitations as to rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte Counties and portions of Napa and Mendocino Counties. The records of the district showed that the bridge operations for the past two years had resulted as follows:

	Year Ended June 30,	
	1943	1942
Operating revenues.....	\$2,579,981.91	\$2,292,945.10
Operating expenses.....	452,096.22	468,359.94
	<u>\$2,127,885.69</u>	<u>\$1,824,585.16</u>
Other expenses.....	13,592.69	32,506.00
	<u>\$2,141,478.38</u>	<u>\$1,857,091.16</u>
Bond interest.....	1,510,650.00	1,519,500.00
Net income.....	<u>\$ 603,643.00</u>	<u>\$ 272,579.16</u>

	Year Ended June 30,	
	1943	1942
Disposition of net income:		
Bond redemption fund—(A).....	\$ 0	\$ 222,911.97
Reserve interest fund.....	83,260.20	2,493.40
Sinking fund.....	400,000.00	1,535.59
Transferred to current surplus.....	120,382.80	45,638.20
	<u>\$ 603,643.00</u>	<u>\$ 272,579.16</u>

(A)—Bond maturities are as follows:

Due Annually	Total
\$ 200,000.00 July 1, 1943-1946.....	\$ 800,000.00
400,000.00 July 1, 1947-1951.....	2,000,000.00
800,000.00 July 1, 1952-1956.....	4,000,000.00
1,200,000.00 July 1, 1957-1961.....	6,000,000.00
1,600,000.00 July 1, 1962-1966.....	8,000,000.00
2,800,000.00 July 1, 1967-1971.....	14,000,000.00
Total outstanding.....	<u>\$34,800,000.00</u>

An inquiry addressed to the City Attorney concerning the possible existence of other contingent liabilities remains unanswered at the date hereof.

## FUNDS BALANCE SHEET

A reconciliation of the funds balance sheet with the proprietary balance sheet follows:

## Funds balance sheet:

Trust and assessment funds.....	\$ 36,025,781.09	
Surplus—unencumbered and unappropriated.....	16,270,622.15	

Total.....	\$ 52,296,403.24	
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Add proprietary assets not shown in fund balance sheet, since they do not represent fund resources:

Properties, net.....	\$386,416,572.72	
Accounts receivable, departmental accounts which are fully reserved.....	810,737.28	
Accounts receivable from City of Palo Alto, collectible over a period of years.....	148,799.30	
Revolving funds.....	80,450.00	
Deferred charges:		
Relief expense—long-term loans.....	\$ 3,262,796.90	
Commitments.....	7,355,770.71	
Materials and supplies.....	1,290,009.73	
Other deferred items.....	1,468,779.17	13,377,356.51
		400,833,915.81

Total.....		\$453,130,319.05
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Deduct proprietary liabilities and reserves not shown in fund balance sheet, representing charges against revenues of future years:

Bonded debt unmatured.....	\$128,896,100.00	
Provided for in 1942-43 budget.....	2,000,000.00	\$126,896,100.00

Bond interest accrued at June

30, 1943.....	\$ 2,374,300.39	
Provided for in 1942-43 budget.....	1,287,500.00	1,086,800.39

Commitments (excluding commitments of

Public Service Enterprises).....	7,355,770.71	
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Hetch Hetchy rent due July 1, 1943 (\$30,000.00) and amount due by Water Company for guard service (\$17,825.10).....	47,825.10	
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Relief loans from State of California.....	556,796.90	
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Accrued interest thereon.....	81,199.03	
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Reserve for departmental accounts receivable which are taken into income only when collected.....	810,737.28	
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Miscellaneous reserves.....	384,627.56	
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Other deferred items.....	307,859.31	137,527,716.28
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## Proprietary balance sheet:

Trust and assessment funds.....	\$ 36,178,079.30	
Surplus.....	279,424,523.47	\$315,602,602.77

## GENERAL

The following funds showed deficits at June 30, 1943:

Auditorium.....	\$167,930.42
Firemen's Relief and Pension.....	171,241.32
Police Relief and Pension.....	103,235.58
Total.....	<u>\$442,407.32</u>

These deficits were created prior to the adoption of the present Charter which became effective January 8, 1932, as of which date these deficits were as follows:

Auditorium.....	\$168,296.87
Firemen's Relief and Pension.....	172,387.88
Police Relief and Pension.....	103,235.58
Total.....	<u>\$443,920.33</u>

The present Charter in Section 86 sets up procedures designed to prevent the possibility of any deficit being created after the adoption of said Charter. While the foregoing deficits existed at the time the present Charter became effective, it would appear that some means should be found, if possible, to legally dispose of these existing deficits.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the Charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.
2. Payment of that portion of the authorized expenses of the City and County for any fiscal year which, as certified by the Controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The balance of the cash reserve fund at June 30, 1943, amounted to \$3,643,627.30, and was comprised of the following:

Cash.....	\$2,646,476.78
Temporary loans to other funds.....	525,000.00
Other inter-fund accounts.....	472,150.52
Total.....	<u>\$3,643,627.30</u>

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

Surety bonds: We inspected the surety bonds covering the various officers of the City and County and determined that the Charter provisions had been complied with.

The cost of improvements constructed on Treasure Island, including the cost of creating said island, is shown on the balance sheet of the Public Service Enterprises at \$12,484,976.34. The source of funds utilized for this purpose and the expenditures made in connection therewith are set forth in the Annual Report of the Controller for the year ended June 30, 1942. The value of Treasure Island and certain related improvements is subject to determination by the Courts under condemnation proceedings instituted by the Navy Department prior to June 30, 1942, and still pending at the date of this report.

ERNST & ERNST,  
Certified Public Accountants.



# LIABILITY

ASSETS				GENERAL FUNDS				LIABILITIES				GENERAL FUNDS			
Fixed capital:				Current				Bonded Debt:				Current			
Properties				Capital				City and County				Capital			
Less reserves for depreciation				\$225,076,331.70				\$225,076,331.70				\$225,076,331.70			
\$46,698,397.29				\$208,038,638.31				\$85,100.00				\$208,038,638.31			
On deposit with City and County Treasurer				\$9,901,022.86				\$9,900.00				\$9,901,022.86			
In transit				529.03				75,200.00				529.03			
Imprest funds				80,450.00				305,091.25				80,450.00			
\$25,977,408.69				\$9,946,551.89				1,775,090.00				\$25,977,408.69			
Accounts receivable:				\$288,158.58				Matured and unpaid				\$288,158.58			
Taxes receivable of the current year				288,158.58				Accrued, not due				288,158.58			
Taxes receivable of prior years				1,160,142.59				Due July 1, 1943				1,160,142.59			
Penalties, costs and interest				130,409.68				Bond interest:				130,409.68			
Franchises and subventions				1,611,199.81								1,611,199.81			
Accrued interest receivable				396,635.61								396,635.61			
Other accounts and note receivable				1,693,114.98								1,693,114.98			
\$5,279,661.25				\$4,437,959.11								\$5,279,661.25			
Less:															
Reserve for unsecured delinquent taxes and penalties				\$884,322.88				Notes and accounts payable:				\$884,322.88			
Secured delinquent tax installments collected				136,200.74				Contracts, purchase orders, etc.				136,200.74			
Reserve for other accounts receivable				862,843.63				State of California, for relief loan				862,843.63			
\$1,883,367.25				\$1,841,632.90				Accrued interest				\$1,883,367.25			
\$3,396,294.00				\$2,596,326.21				For outstanding warrants				\$3,396,294.00			
Investments:								Commitments (Contra)							
Securities and Other (\$54,840.00)				\$33,925,323.21								\$33,925,323.21			
Lease guarantee deposits (U. S. Treasury Bonds)				113,750.00								113,750.00			
United States of America War Savings Bonds for resale				32,156.25								32,156.25			
Interfund accounts (Contra)				1,041,267.99								1,041,267.99			
Deferred charges:															
Relief expenditures financed by long-term loans				\$3,262,796.90								\$3,262,796.90			
Commitments (Contra)				7,355,770.71								7,355,770.71			
Materials and supplies				1,290,009.73								1,290,009.73			
Other deferred items				1,490,359.66								1,490,359.66			
\$13,398,937.00				\$11,846,620.28								\$13,398,937.00			
\$164,301,709.86				\$27,681,915.88								\$164,301,709.86			



## GENERAL CITY AND COUNTY CAPITAL SURPLUS

## CITY AND COUNTY OF SAN FRANCISCO

Year Ended June 30, 1943

Balance at June 30, 1942.....	\$189,603,397.13
Add:	
Capital additions from public trust funds.....	92,837.10
Premium on 1942 Fire Protection bonds.....	126.00
Transfers from current accounts:	
Bond redemptions.....	3,290,100.00
Capital additions from revenues.....	1,147,720.68
	<hr/>
	\$194,134,180.91
Deduct:	
Loss from sale of property.....	2,911.00
Transfers to current account.....	37,973.19
	<hr/>
	\$ 40,884.19
	<hr/>
Balance at June 30, 1943.....	<u>\$194,093,296.72</u>

**GENERAL CITY AND COUNTY REVENUES, EXPENDITURES AND  
CURRENT SURPLUS**

**CITY AND COUNTY OF SAN FRANCISCO**

**Years Ended June 30, 1943 and June 30, 1942**

	REVENUES	
	1943	Year Ended June 30, 1942
Property taxes and penalties.....	\$37,459,590.91	\$36,449,752.78
Other taxes and licenses:		
Franchise taxes.....	\$ 597,666.05	\$ 522,871.54
Business licenses.....	408,279.17	445,989.24
Professional and occupational licenses.....	31,260.15	39,278.50
Vehicle licenses.....	31,372.50	25,839.50
Non-business licenses.....	27,474.50	24,031.00
	\$ 1,096,052.37	\$ 1,058,009.78
Received through State of California.....	\$12,638,870.67	\$13,381,805.82
Other revenues:		
General City and County services.....	\$ 1,922,610.81	\$ 2,140,159.48
Contributions from Water Department.....	875,121.14	318,678.00
Fines, forfeits and penalties.....	522,375.40	580,211.57
Transferred from Capital Accounts.....	37,973.19	748,183.89
Revenues from use of money and property.....	17,963.91	24,702.11
	\$ 3,376,044.45	\$ 3,811,935.05
	\$54,570,558.40	\$54,701,503.43
EXPENDITURES		
General City and County expenses.....	\$40,159,585.75	\$41,650,845.56
Bond redemption.....	3,290,100.00	3,165,100.00
Bond interest.....	1,557,787.83	1,698,242.08
Other interest.....	80,481.06	54,597.78
Pensions and compensation insurance.....	2,631,942.56	2,493,028.64
Judgments and losses.....	39,570.42	40,616.78
Contributions to public service enterprises:		
Hetch Hetchy project.....	2,073,920.99	2,164,453.33
San Francisco and Treasure Island Airports.....	385,466.17	368,576.37
Capital additions from revenues.....	1,147,720.68	1,473,319.95
Civilian Defense.....	695,311.27	348,154.57
Contributions to joint highway projects.....	131,000.00	141,000.00
Miscellaneous, net.....	511,964.86*	795,964.41
	\$51,680,921.87	\$54,393,899.47
Net revenues.....	\$ 2,889,636.53	\$ 307,603.96
Current surplus from preceding year.....	6,740,068.05	6,432,464.09
Current surplus at end of year.....	\$ 9,629,704.58	\$ 6,740,068.05

\*Indicates red figures.

## REVENUES FROM GENERAL CITY AND COUNTY SERVICES

## CITY AND COUNTY OF SAN FRANCISCO

Years Ended June 30, 1943 and June 30, 1942

	Year Ended June 30,	
	1943	1942
General government:		
Municipal Courts.....	\$ 49,312.00	\$ 61,595.00
Superior Courts.....	98,420.21	96,696.58
Recorder.....	108,239.85	125,935.00
Public Administrator.....	62,870.02	65,126.66
Sheriff.....	32,074.62	37,909.58
Treasurer.....	14,167.37	12,868.42
Rent.....	12,142.84	11,839.22
Other.....	31,635.82	31,249.09
	<u>\$ 408,862.73</u>	<u>\$ 443,219.55</u>
Public safety:		
Inspections and permits.....	\$ 71,058.93	\$ 186,894.03
Department of Electricity.....	38,476.02	68,351.60
Fire Department.....	103,930.91	98,473.26
Police Department.....	545.14	1,373.13
Public Pound.....	3,615.50	3,053.75
Agricultural Commission.....	2,421.33	6,682.73
Other.....	6,998.71	2,136.12
	<u>\$ 227,046.54</u>	<u>\$ 366,964.62</u>
Schools and libraries:		
Schools.....	\$ 236,743.93	\$ 283,100.21
Libraries.....	26,827.80	24,162.13
	<u>\$ 263,571.73</u>	<u>\$ 307,262.34</u>
Recreation:		
Parks and playgrounds.....	\$ 549,525.24	\$ 532,804.04
Art Commission.....	35,815.82	45,246.72
Opera House.....	37,438.85	36,260.18
Coit Tower.....	12,696.48	9,946.65
Other.....	5,187.02	5,543.17
	<u>\$ 640,663.41</u>	<u>\$ 629,800.76</u>
Hospitals, charities and corrections:		
Hospitals.....	\$ 98,095.51	\$ 117,416.90
Charities.....	97,580.86	75,589.36
Corrections.....	28,942.31	20,482.26
	<u>\$ 224,618.68</u>	<u>\$ 213,488.52</u>
Other:		
Sanitation.....	\$ 27,599.39	\$ 56,317.65
Health.....	104,032.61	89,609.44
General and miscellaneous.....	26,215.72	33,496.60
	<u>\$ 157,847.72</u>	<u>\$ 179,423.69</u>
Total Revenues from General City and County Services.....	<u>\$1,922,610.81</u>	<u>\$2,140,159.48</u>

**GENERAL CITY AND COUNTY EXPENSES**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**Years Ended June 30, 1943 and June 30, 1942**

	Year Ended June 30,	
	1943	1942
<b>General government:</b>		
Legislative.....	\$ 100,869.33	\$ 122,374.09
Executive.....	86,108.90	88,594.28
Judicial.....	1,028,215.49	1,030,141.62
Elections.....	342,716.25	266,479.09
Finance.....	1,038,213.99	978,880.92
Law.....	222,807.91	215,873.32
Recording and reporting.....	102,274.46	107,094.39
Administrative officers and boards.....	511,274.66	493,243.19
General government buildings.....	411,664.26	387,822.00
Community promotion, etc.....	172,978.45	275,703.95
	<hr/>	<hr/>
	\$4,017,123.70	\$3,966,206.85
<b>Public safety:</b>		
Police department.....	\$3,562,383.63	\$3,596,649.47
Fire department.....	3,485,164.64	3,507,511.18
Protective inspection.....	237,689.29	279,523.18
	<hr/>	<hr/>
	\$7,285,237.56	\$7,383,683.83
<b>Highways:</b>		
General Administration.....	\$ 33,261.82	\$ 32,023.16
Roadways.....	388,593.04	362,844.16
Street lighting.....	795,588.26	909,155.11
Bridges and viaducts.....	140,255.09	70,602.23
Maintenance of equipment.....	6,663.83	13,884.35
	<hr/>	<hr/>
	\$1,364,362.04	\$1,388,509.01
<b>Sanitation and waste removal:</b>		
Sewers and sewage disposal.....	\$ 466,347.61	\$ 528,188.43
Street sanitation.....	630,964.05	652,616.94
Miscellaneous.....	2,263.76	6,736.50
	<hr/>	<hr/>
	\$1,099,575.42	\$1,187,541.87
<b>Health conservation:</b>		
General administration.....	\$ 39,059.58	\$ 32,015.22
Vital statistics.....	30,166.40	25,950.79
Health regulation and inspection.....	266,179.33	274,031.78
Control of communicable diseases.....	135,453.48	140,655.25
Child health services.....	298,371.09	316,245.25
Miscellaneous.....	35,833.58	35,905.30
	<hr/>	<hr/>
	\$ 805,063.46	\$ 824,803.59

## GENERAL CITY AND COUNTY EXPENSES (Continued)

	Year Ended June 30.	
	1943	1942
Hospitals:		
General administration.....	\$ 128,497.37	\$ 92,995.64
General municipal hospitals.....	1,781,225.72	1,734,902.37
Special disease municipal hospitals.....	904,801.69	957,209.45
Patients in non-municipal hospitals.....	182,248.09	185,099.99
Miscellaneous.....	13,124.85	11,932.16
	<u>\$ 3,009,897.72</u>	<u>\$ 2,982,139.61</u>
Charities:		
General administration.....	\$ 9,006.94	\$ 9,783.38
Adult institutional care.....	364,586.08	363,929.77
General relief.....	1,665,472.25	2,554,591.12
Contribution to work relief projects.....	126,276.96	166,847.50
Old age assistance.....	5,228,737.19	5,472,964.78
Aid to minors and widowed mothers.....	782,401.26	1,062,666.00
Aid to blind.....	297,910.09	288,880.84
Miscellaneous.....	52,268.37	57,615.93
	<u>\$ 8,526,659.14</u>	<u>\$ 9,977,279.32</u>
Corrections:		
County jails.....	\$ 274,695.81	\$ 260,496.97
Juvenile detention home.....	93,407.83	68,300.57
Miscellaneous.....	38,500.80	36,762.13
	<u>\$ 406,604.44</u>	<u>\$ 365,559.67</u>
Schools and libraries:		
Schools.....	\$10,689,884.92	\$10,554,510.05
Libraries.....	396,335.77	408,827.12
	<u>\$11,086,220.69</u>	<u>\$10,963,337.17</u>
Recreation:		
Cultural—scientific.....	\$ 607,838.35	\$ 633,387.19
Parks and squares.....	841,128.60	803,495.94
Organized recreation.....	711,111.44	739,292.77
Auditoriums and special facilities.....	184,450.27	203,642.07
Refreshment facilities.....	185,837.66	201,388.98
Miscellaneous.....	28,475.26	30,577.69
	<u>\$ 2,558,841.58</u>	<u>\$ 2,611,784.64</u>
Total General City and County Expenses.....	<u>\$40,159,585.75</u>	<u>\$41,650,845.56</u>





PROPRIETARY BALANCE SHEET  
PUBLIC SERVICE ENTERPRISES OF  
CITY AND COUNTY OF SAN FRANCISCO  
June 30, 1943

ASSETS		Fixed capital:		Less reserve for depreciation		Under construction		Cash:		On deposit with City and County Treasurer		Imprest funds and other cash		Accounts receivable:		Revenues accrued and other receivables		Less reserve for accounts doubtful of collection		Interfund accounts:		Due from general City and County Enterprises (Contra)		Due from Public Service Enterprises (Contra)		Deferred charges:		Materials and supplies		Other deferred items				
Hotel Hetchy	\$106,135,355.78			\$12,484,976.34	\$6,100,518.95	\$5,591,211.90	\$12,484,976.34		\$161,340,241.02	\$9,901,022.86	\$45,529.03	\$9,946,551.89	\$841,702.14	\$841,702.14	\$606,908.14	\$13,161.50	\$10,943.05	\$210,680.45	\$210,680.45			\$26,925.51	\$240,869.35	\$267,794.86	\$906,157.60	\$647,159.12	\$1,553,316.72	\$173,907,872.28	\$53,591,140.77	\$7,257,841.97	\$5,743,551.58	\$12,495,153.00	\$285,841.96	\$94,582,343.00
Water Supply and Power Project	\$91,148,523.34			\$12,484,976.34	\$5,591,211.90	\$14,394.96	\$12,484,976.34		\$48,273,906.89	\$3,795,732.32	\$3,631.30	\$3,799,363.62	\$2,848,984.48	\$2,848,984.48	\$117,840.47	\$7,076.66	\$7,076.66	\$267,095.22	\$267,095.22			\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	
San Francisco Airport					\$6,100,518.95				\$48,301,770.86	\$3,998,522.34	\$30,000.00	\$4,028,522.34	\$606,908.14	\$606,908.14	\$13,161.50							\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	
San Mateo County					\$6,100,518.95				\$48,301,770.86	\$3,998,522.34	\$30,000.00	\$4,028,522.34	\$606,908.14	\$606,908.14	\$13,161.50							\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	
California					\$6,100,518.95				\$48,301,770.86	\$3,998,522.34	\$30,000.00	\$4,028,522.34	\$606,908.14	\$606,908.14	\$13,161.50							\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	
Treasure Island					\$6,100,518.95				\$48,301,770.86	\$3,998,522.34	\$30,000.00	\$4,028,522.34	\$606,908.14	\$606,908.14	\$13,161.50							\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	
Public Utilities Commission					\$6,100,518.95				\$48,301,770.86	\$3,998,522.34	\$30,000.00	\$4,028,522.34	\$606,908.14	\$606,908.14	\$13,161.50							\$278,499.49	\$313,932.08	\$592,431.57	\$278,499.49	\$313,932.08	\$592,431.57	\$7,257,841.97	\$5,743,551.58	\$10,047.61	\$3,100.00	\$18,527.57	\$380,931.51	

**PROPRIETARY BALANCE SHEET**  
**PUBLIC SERVICE ENTERPRISES OF**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**June 30, 1943**

		Bonded debt:		Due prior to July 1, 1944		Maturing subsequent to June 30, 1944		Bond interest:		Due July 1, 1943		Accrued, not due		Matured and unpaid		Accounts payable:		Contracts, purchase orders, etc.		For outstanding warrants		Interfund accounts:		Due to general City and County		Due to Public Service Enterprises (Contra)		Other reserves		Deferred items		Surplus			
Hetch Hetchy Water Supply and Power Project	\$	6,000.00	2,225,000.00	54,700,000.00	\$	93,831,900.00	\$	93,831,900.00	\$	1,775,090.00	\$	55,163.76	94,580.00	\$	1,924,833.76	\$	721,570.48	\$	95,295.87	\$	71,173.77	\$	166,469.64	\$	583,811.12	\$	240,869.35	\$	167,985.33	\$	414,407.81	\$	75,701,522.17	\$	173,907,872.28
San Francisco Airport	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	31,522.24	\$	383,452.03	\$	5,550,166.96	\$	7,257,841.97
San Mateo County	\$	1,425,000.00	285,000.00	1,710,000.00	\$	15,090.00	\$	15,090.00	\$	26,377.29	\$	5,464.83	6,236.60	\$	70,256.47	\$	66,105.27	\$	4,151.20	\$	528,897.75	\$	1,075.09	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
California Railway	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$	528,897.75	\$	66,105.27	\$	20,985.93	\$	1,551.75	\$	97,525.66	\$	130.97	\$	5,550,166.96	\$	7,257,841.97
San Francisco County	\$	900.00	100,000.00	900,000.00	\$	3,000.00	\$	3,000.00	\$	630,000.00	\$	4,166.66	5,797.50	\$	9,964.16	\$	348,031.38	\$	180,866.37	\$															



**REVENUES, EXPENSES AND SURPLUS  
PUBLIC SERVICE ENTERPRISES OF  
CITY AND COUNTY OF SAN FRANCISCO**

Year Ended June 30, 1943

REVENUES AND EXPENSES		Total		Water Department		Municipal Railway		San Francisco Airport		Treasure Island		Hetch Hetchy Water Supply and Power Project	
Operating revenues.....		\$16,961,153.95	\$ 8,235,668.86	\$5,617,368.12	\$ 42,778.45	\$ 168,466.30	\$ 3,065,338.52	\$ 2,046,301.14		\$ 1,019,037.38			
Operating profit or loss*.....		\$ 6,160,763.19	\$ 4,384,031.45	\$ 883,382.21	\$ 125,687.85*								
Other revenues:													
Interest earned.....		\$ 17,601.09	\$ 14,365.00	\$ 3,236.09		\$ 496.38	\$ 828.74						
Rental.....		66,311.97	64,986.85	11,512.76	9,479.01		5,566.48						
Other.....		83,502.12	56,943.87										
Total other revenues.....		\$ 167,415.18	\$ 136,295.72	\$ 14,748.85	\$ 9,975.39								
Total other revenues.....		\$ 6,328,178.37	\$ 4,520,327.17	\$ 898,131.06	\$ 115,712.46*								
Other expenses:													
Bond interest.....		\$ 4,212,661.06	\$ 1,516,863.35	\$ 52,083.33			\$ 2,643,714.38						
Other.....		104,137.40	35,445.14				60,630.79						
Total other expenses.....		\$ 4,316,798.46	\$ 1,552,308.49	\$ 52,083.33	\$ 8,061.47		\$ 2,704,345.17						
Net profit or loss*.....		\$ 2,011,379.91	\$ 2,968,018.68	\$ 846,047.73	\$ 115,712.46*		\$ 1,678,912.57*						
SURPLUS													
Balance at June 30, 1942.....		\$71,636,972.94	\$16,241,040.07	\$4,704,119.23	\$12,483,206.04		\$34,889,326.21						
Add:													
Net profit or loss* as above.....		2,011,379.91	2,968,018.68	846,047.73	115,712.46*		1,678,912.57*						
Contributions from General City and County.....		2,459,387.16			379,829.44		5,636.73						
Contributions from Federal Government.....		15,920.50			15,920.50								
Contributions from United Airlines Transport Corp.....		455,882.04			455,882.04								
Other additions.....		65,763.99	59,924.37										
Total additions.....		\$76,645,306.54	\$19,268,983.12	\$5,550,166.96	\$4,055,200.91		\$35,290,174.25						
Less:													
Contributions to General City and County.....		\$ 875,121.14	\$ 875,121.14										
Contributions to Public Service Enterprises.....													
Other deductions.....		68,663.23											
Total deductions.....		\$ 943,784.37	\$ 1,153,347.29		\$ 81,663.23		\$ 13,000.00*						
Balance at June 30, 1943.....		\$75,701,522.17	\$18,115,635.83	\$5,550,166.96	\$12,493,781.30		\$35,568,400.40						

\*Indicates red figures.



# SUMMARY OF PROPERTIES CITY AND COUNTY OF SAN FRANCISCO

June 30, 1943

General City and County:			
Civic Center, including City Hall			
Public safety	13,211,287.20	628,271.46	8,703,220.53
Fire Department	3,494,509.60	758,941.10	1,966,009.62
Police Department	874,276.24	44,000.00	723,953.40
Highways:			
Streets, tunnels, bridges, etc.	63,200,541.44	7,294,804.90	55,905,700.04
Asphalt plant	248,735.59		80,000.00
Sanitation:			
Sewers	21,781,338.03	85,785.10	21,554,992.41
Street Cleaning Department	327,865.49		327,865.49
Garbage incinerators	130,142.60	65,000.00	65,142.60
Health conservation:			
Hassler Health Home	1,246,309.96	30,411.92	1,110,985.67
Civic Center Health Building	1,154,844.96	158,588.49	908,008.41
Excelsior Health Center	85,386.04	14,637.50	66,618.18
Other	286,985.62	145,940.00	14,268.80
Hospitals:			
San Francisco Hospital	6,398,184.74	694,556.97	4,928,143.59
Emergency Hospital	241,745.29	10,999.70	82,969.15
Charities:			
Laguna Honda Home	5,046,632.42	30,000.00	4,444,584.51
San Francisco Welfare Building	13,650.23		
Corrections:			
County Jail	851,044.11	38,156.52	800,255.01
Juvenile Detention Home	276,592.17	35,420.09	208,249.29
Schools	51,704,050.18	9,788,664.67	37,944,785.69
Libraries	3,469,221.69	392,710.00	1,297,472.63
Recreation:			
Museums, Art Galleries, etc.	1,318,839.49	463,187.20	1,108,535.62
War Memorial and Opera House	5,406,900.19	20,064,308.04	4,789,521.96
Parks and Squares	25,369,177.20	3,197,896.06	4,952,777.56
Swimming pool and playgrounds	5,714,636.65		2,345,611.10
Golf links	393,089.88		393,089.88
Kezar Stadium	784,116.55	97,008.80	687,107.75
Auditorium	2,300,199.32	701,437.00	1,526,712.98
Other:			
Central warehouse and corporation yard	287,594.66	163,843.17	115,270.04
Miscellaneous	374,772.62	218,974.76	104,842.36
Work in progress	144,755.02		
Total general City and County	\$225,076,331.70	\$47,359,498.08	\$160,924,995.28
Public Service Enterprises	\$208,038,638.31		
Less reserve for depreciation	46,698,397.29		
Total properties	\$386,416,572.72		\$16,647,083.32

Equipment

Buildings,  
Structures and  
Improvements

Land







**BONDED INDEBTEDNESS**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**Year Ended June 30, 1943**

General City and County:	Outstanding June 30, 1942	Redeemed Sold*	Outstanding June 30, 1943
School:			
March 1, 1918, 4½%.....	\$ 5,000	\$ 0	\$ 5,000
March 1, 1923, 5%.....	7,507,000	293,000	7,214,000
January 1, 1934, 3%.....	600,000	300,000	300,000
December 1, 1938, 1¼% to 2%.....	1,960,000	280,000	1,680,000
Parks and playgrounds:			
Golden Gate Park and Presidio Extension, June 30, 1904, 3½%.....	23,900	7,500	16,400
Mission Park, June 30, 1904, 3½%.....	21,900	14,600	7,300
Parks and Squares, February 1, 1931, 4½%.....	1,008,000	56,000	952,000
Playgrounds, June 30, 1904, 3½%.....	46,500	14,500	32,000
Playgrounds, February 1, 1931, 4½%.....	144,000	8,000	136,000
Boulevards and roads:			
Bernal Cut, July 1, 1927, 4½%.....	700,000	70,000	630,000
Boulevard, November 1, 1927, 4½%.....	4,690,000	469,000	4,221,000
Boulevards and Roads, February 1, 1931, 4½%.....	648,000	30,000	618,000
Sewers:			
July 1, 1908, 5%.....	1,300,000	100,000	1,200,000
January 1, 1929, 4½%.....	1,300,000	100,000	1,200,000
December 1, 1933, 4%.....	1,753,000	81,000	1,672,000
Fire Protection:			
High pressure system, December 1, 1933, 3%.....	1,200,000	100,000	1,100,000
Fire protection, July 1, 1908, 5%.....	1,820,000	129,000	1,691,000
Fire protection, June 10, 1942, ½%.....	500,000	300,000	200,000
Fire protection, June 10, 1942, ¾% to 2%.....	0	700,000*	700,000
Hospitals:			
January 1, 1929, 4½%.....	1,925,000	173,000	1,752,000
January 1, 1938, 1¼% to 2%.....	960,000	160,000	800,000
Relief Bonds:			
September 1, 1932, 4% to 5%.....	3,248,000	542,000	2,706,000
Relief Home, March 1, 1923, 5%.....	500,000	100,000	400,000
Miscellaneous:			
Library, June 30, 1904, 3½%.....	119,200	54,600	64,600
Memorial Halls, July 1, 1927, 4½%.....	2,000,000	200,000	1,800,000
County Jail, January 1, 1931, 4½%.....	500,000	50,000	450,000
City Hall and Civic Center, July 1, 1912, 5%.....	3,802,000	200,000	3,602,000
Total General City and County...	\$ 38,281,500	\$3,132,200	\$ 35,149,300
Public Service Enterprises:			
As shown by schedule.....	98,011,300	4,179,400	93,831,900
Total Bonded Indebtedness.....	<u>\$136,292,800</u>	<u>\$7,311,600</u>	<u>\$128,981,200</u>

\*Indicates red figures.

## BONDED INDEBTEDNESS—PUBLIC SERVICE ENTERPRISES

## CITY AND COUNTY OF SAN FRANCISCO

Year Ended June 30, 1943

	Outstanding June 30, 1942	Redeemed	Outstanding June 30, 1943
Hetch Hetchy Water Supply and Power Project:			
July 1, 1910, 4½%.....	\$23,000,000	\$1,000,000	\$22,000,000
January 1, 1925, 5%.....	6,753,000	253,000	6,500,000
July 1, 1928, 4½%.....	21,600,000	600,000	21,000,000
June 1, 1932, 2¾% to 5¾%.....	5,710,000	204,000	5,506,000
December 1, 1933, 4%.....	2,100,000	175,000	1,925,000
	<u>\$59,163,000</u>	<u>\$2,232,000</u>	<u>\$56,931,000</u>
Water Departments:			
Spring Valley Water, July 1, 1928, 4½%.....	\$29,003,000	\$1,000,000	\$28,003,000
Water Distribution, December 1, 1933, 4%.....	6,750,000	563,000	6,187,000
	<u>\$35,753,000</u>	<u>\$1,563,000</u>	<u>\$34,190,000</u>
Municipal Railway:			
December 1, 1913, 5%.....	\$ 1,100,300	\$ 99,400	\$ 1,000,900
San Francisco Airport:			
January 1, 1938, 1½% to 2%.....	\$ 1,995,000	\$ 285,000	\$ 1,710,000
Total Bonded Indebtedness of Public Service Enterprises.....	<u>\$98,011,300</u>	<u>\$4,179,400</u>	<u>\$93,831,900</u>

SCHEDULE OF BOND REDEMPTION  
 CITY AND COUNTY OF SAN FRANCISCO  
 Based on Bonds outstanding June 30, 1943

Based on Bonds outstanding June 30, 1943

PUBLIC SERVICE ENTERPRISES

MATURITY	Matured, unpaid
1943-44	\$8,003,100
1944-45	7,630,000
1945-46	7,630,000
1946-47	7,330,000
1947-48	7,226,000
1948-49	6,528,000
1949-50	5,963,000
1950-51	5,962,000
1951-52	5,962,000
1952-53	5,173,000
1953-54	4,892,000
1954-55	4,060,000
1955-56	3,860,000
1956-57	3,730,000
1957-58	3,730,000
1958-59	3,730,000
1959-60	3,730,000
1960-61	3,630,000
1961-62	3,430,000
1962-63	3,430,000
1963-64	3,415,000
1964-65	3,350,000
1965-66	2,350,000
1966-67	2,350,000
1967-68	2,050,000
1968-69	2,050,000
1969-70	1,800,000
1970-71	1,700,000
1971-72	600,000
1972-73	600,000
1973-74	600,000
1974-75	600,000
1975-76	600,000
1976-77	600,000
1977-78	600,000
Total	\$85,100
General City and County	\$3,832,100
Water Supply and Power Project	4,173,000
Total	9,900
Hetch Hetchy Water Supply and Power Project	\$6,000
Water Department	\$3,000
Municipal Railway	900
San Francisco Airport	\$285,000
Total	\$285,000

## LIABILITIES

RESOURCES										LIABILITIES									
GENERAL FUNDS					SPECIAL FUNDS					GENERAL FUNDS					SPECIAL FUNDS				
Total	City and County	Public Service	Capital	Trust and	Total	City and County	Public Service	Capital	Trust and	Total	City and County	Public Service	Capital	Trust and	Total	City and County	Public Service	Capital	Trust and
\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38
Cash in transit																			
\$8,454.15																			
\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38
Less warrants outstanding and matured bonds and coupons																			
2,802,476.86																			
\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38	\$23,086,027.68	\$9,475,570.60	\$13,610,457.08	\$685,065.02	\$1,287,209.38
On deposit with City and County Treasurer																			
\$25,888,504.54	\$9,901,022.86	\$15,987,481.68	\$13,325,825.58	\$1,970,820.58	\$25,888,504.54	\$9,901,022.86	\$15,987,481.68	\$13,325,825.58	\$1,970,820.58	\$25,888,504.54	\$9,901,022.86	\$15,987,481.68	\$13,325,825.58	\$1,970,820.58	\$25,888,504.54	\$9,901,022.86	\$15,987,481.68	\$13,325,825.58	\$1,970,820.58
Taxes receivable of the year 1942-43																			
\$288,158.58																			
Taxes and assessments, prior years																			
1,160,142.59																			
Penalties, costs and interest																			
130,409.68																			
Franchises and subventions																			
1,611,199.81																			
Accrued interest receivable																			
396,635.61																			
882,377.70	\$841,702.14																		
Accounts and note receivable																			
\$446,923.97	\$841,702.14	\$3,627,221.83	\$3,227,480.87	\$399,740.96	\$446,923.97	\$841,702.14	\$3,627,221.83	\$3,227,480.87	\$399,740.96	\$446,923.97	\$841,702.14	\$3,627,221.83	\$3,227,480.87	\$399,740.96	\$446,923.97	\$841,702.14	\$3,627,221.83	\$3,227,480.87	\$399,740.96
Less:																			
Reserve for unsecured delinquent taxes and penalties																			
\$884,322.88																			
Secured delinquent tax installments collected																			
136,200.74																			
Reserve for other accounts receivable																			
\$2,106.35																			
\$1,072,629.97	\$41,734.35	\$1,030,895.62	\$2,596,326.21	\$399,740.96	\$1,072,629.97	\$41,734.35	\$1,030,895.62	\$2,596,326.21	\$399,740.96	\$1,072,629.97	\$41,734.35	\$1,030,895.62	\$2,596,326.21	\$399,740.96	\$1,072,629.97	\$41,734.35	\$1,030,895.62	\$2,596,326.21	\$399,740.96
\$33,870,483.21																			
Other																			
\$4,840.00																			
\$33,925,323.21																			
Unsold bonds:																			
1942, Fire protection, \$1,800,000; 1942, Water Work System, \$1,000,000																			
\$2,800,000.00																			
\$1,000,000.00																			
\$1,800,000.00																			
United States of America War Savings Bonds for Resale																			
\$32,156.25																			
\$70,848,826.97	\$7,600,571.68	\$913,629.83	\$6,686,941.85	\$6,448,237.44	\$70,848,826.97	\$7,600,571.68	\$913,629.83	\$6,686,941.85	\$6,448,237.44	\$70,848,826.97	\$7,600,571.68	\$913,629.83	\$6,686,941.85	\$6,448,237.44	\$70,848,826.97	\$7,600,571.68	\$913,629.83	\$6,686,941.85	\$6,448,237.44
Inter-fund accounts (Contra)																			
\$870,848,826.97																			



CURRENT FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO  
June 30, 1943

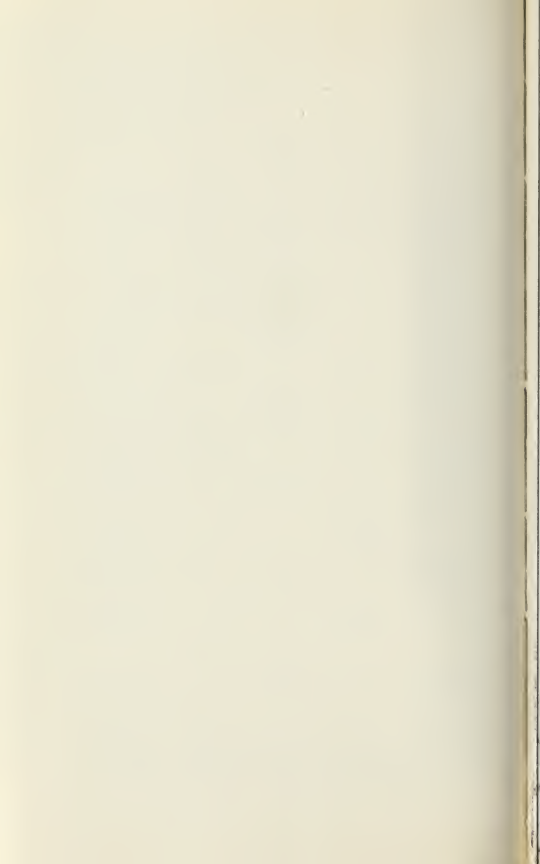
LIABILITIES AND FUND BALANCES										NAME OF FUND									
FUND BALANCES										General City and County:									
Cash	Available	Other	Resources	Delinquent Taxes and Penalties	Interfund Accounts	Deferred Credits	Unencumbered	Unappropriated	Reserve Fund	Total	Total	Interfund Accounts	Delinquent Taxes and Penalties	Unencumbered	Reserve Fund	Total	General fund 1943-1944	General fund 1942-1943	General fund, prior years
\$1,718,886.34	\$47,020.06	\$347,679.79	200,602.89	60,677.62	26,425.18	11,658.62	14,562.34	128,661.75	73,967.35	52,340.55	746,733.44	447,579.20	1,241,711.68	1,241,711.68	3,557.08	3,557.08	12,315.10	5,672.70	280,561.48
1,892,899.16	1,270,490.35	104,157.07	200,618.09	71,153.31	241,592.27	312,745.58	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71
6,642.40	6,642.40	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70	5,672.70
1,892,899.16	1,270,490.35	104,157.07	200,618.09	71,153.31	241,592.27	312,745.58	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71	2,284,717.71
2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78	2,646,476.78
112,682.64	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64	860.67	112,682.64
33,134.86	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86	13,075.61	33,134.86
359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14	359.14
298,300.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00	45,600.00	298,300.00
167,930.42*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*	171,095.93*	167,930.42*
171,601.54*	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*	505.61	171,601.54*
108,235.58*	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*	281.76	108,235.58*
47,928.72	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72	65,802.20	47,928.72
136,200.74	136,200.74	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64	1,678,919.64
1,086.99	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99	5,235.60	1,086.99
5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60	5,235.60
\$11,287,209.38	\$1,648,770.02	\$1,442,510.11	\$6,448,237.44	\$20,826,726.95	Total (General City and County)	\$1,455,899.75	\$884,322.88	\$618,372.00	\$5,846,280.52	\$1,843,570.55	\$2,293,755.94	\$4,340,898.01	\$3,643,627.30	\$3,643,627.30	\$3,643,627.30	\$3,643,627.30	\$3,643,627.30	\$3,643,627.30	\$3,643,627.30

\*Indicates credit balance.



CAPITAL FUNDS BALANCE SHEET  
CITY AND COUNTY OF SAN FRANCISCO  
June 30, 1943

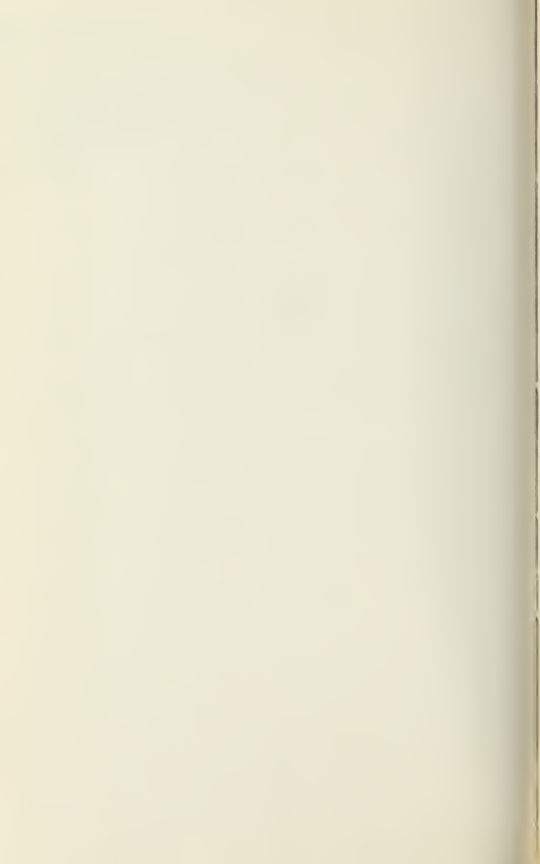
RESOURCES			NAME OF FUND			LIABILITIES AND FUND BALANCES		
Available Cash	Unsold Bonds	Total	Bond Fund:	Total	Encum- brances	For Unsold Bonds	Inter-fund Accounts	Unencum- bered
\$ 1,517.69	\$	1,517.69	1927 Bernal cut.....	\$ 1,517.69	\$ 1,139.60		\$	299.74
140,932.98		140,932.98	1927 Boulevards.....	140,932.98	25.00		106,870.92	34,037.06
7,985.35		7,985.35	1929 Hospitals.....	7,985.35				7,985.35
665.35		665.35	1929 Sewers.....	665.35				665.35
2,159.58		2,159.58	1931 Parks and Squares.....	2,159.58				2,159.58
250.00		250.00	1933 High pressure system.....	250.00				250.00
21,037.24		21,037.24	1933 Sewers.....	21,037.24	475.60			16,606.56
4,590.01		4,590.01	1938 Hospitals.....	4,590.01			\$ 150.00	4,350.93
452,126.61	\$1,800,000.00	2,252,126.61	1942 Fire Protection.....	2,252,126.61	325,935.87	\$1,800,000.00	15,200.00	110,786.74
53,800.21		53,800.21	General City Land Purchase.....	53,800.21	512.50			1,151.57
\$685,065.02	\$1,800,000.00	\$2,485,065.02	Total.....	\$2,485,065.02	\$328,088.57	\$1,800,000.00	\$15,350.00	\$240,731.81
								\$100,894.64
FUND BALANCES			FUND BALANCES			FUND BALANCES		
Unappropriated			Unappropriated			Unappropriated		





## RESOURCES

NAME OF FUND									
Available Cash	Available Resources	Inter-fund Accounts	Total	Private Trusts:	Total	Reserves	Unapplied Balances	Inter-fund Accounts	Unapplied Balances
\$ 2,242.79			\$ 2,242.79	Absent creditors.....	2,242.79		\$ 2,242.7		\$ 2,242.7
6,073.10			6,073.10	Absent heirs.....	6,073.10				6,073.1
12,135.71			12,135.71	Adult probation officer's deposit.....	12,135.71				12,135.7
122.10			122.10	Automobile badge.....	122.10				122.1
8,865.03			8,865.03	Coroner's unclaimed money.....	8,865.03				8,865.0
19,350.00			19,350.00	County Clerk bail.....	19,350.00				19,350.0
105,499.15			105,499.15	County Clerk special.....	105,499.15				105,499.1
17.88			17.88	de Young Museum.....	17.88		\$ 10.00		7.8
22,965.72		\$1.34	22,967.06	Duplicate taxes.....	22,967.06				22,967.0
17,000.00			17,000.00	Electrical deposits.....	17,000.00				17,000.0
738.50			738.50	Excavation.....	738.50				560.0
84,096.47			84,096.47	Health Service.....	84,096.47			30.00	83,740.5
400.00			400.00	Housemoving Department of Public Works.....	400.00				400.0
11,164.55			11,164.55	Jail stores deposits.....	11,164.55				10,999.3
10,387.20			10,387.20	Juvenile Court deposits.....	10,387.20				10,374.4
304.64			304.64	California Palace of Legion of Honor.....	304.64			13.64	291.0
285.00			285.00	Library card deposit.....	285.00				215.0
55,509.80			55,509.80	Municipal Court bail.....	55,509.80				55,509.8
8,916.57			8,916.57	Municipal Court special.....	8,916.57				8,916.3
1,013.00			1,013.00	Police Department deposits.....	1,013.00				1,013.0
5,260.00			5,260.00	Realty deposits.....	5,260.00				5,260.0
4,456.76			4,456.76	School teachers' Sabbatical leave.....	4,456.76				4,456.0
24,347.27			24,347.27	Sheriff's Trust.....	24,347.27				24,347.0
380.00			380.00	Special badge.....	380.00				380.0
14,644.00			14,644.00	Special permits.....	14,644.00			40.00	14,434.0
670.14			670.14	Street improvement.....	670.14				670.0
941.22			941.22	Street improvement ordinance of 1934.....	941.22				941.0
10,268.61			10,268.61	Sunset Tunnel Assessment refund.....	10,268.61				10,237.0
1,877.50			1,877.50	Traffic Court suspense.....	1,877.50				1,877.0
18,789.24			18,789.24	Twin Peaks Tunnel refund.....	18,789.24				18,789.0
160,496.59			160,496.59	Victory tax.....	160,496.59				160,496.0
68,872.90			68,872.90	San Francisco Unified School District Victory tax.....	68,872.90				68,872.0
38,424.78			38,424.78	War Bond pay roll allotment.....	38,424.78				70,581.0
\$716,516.22			\$716,516.22	Total.....	\$716,516.22				\$716,516.22

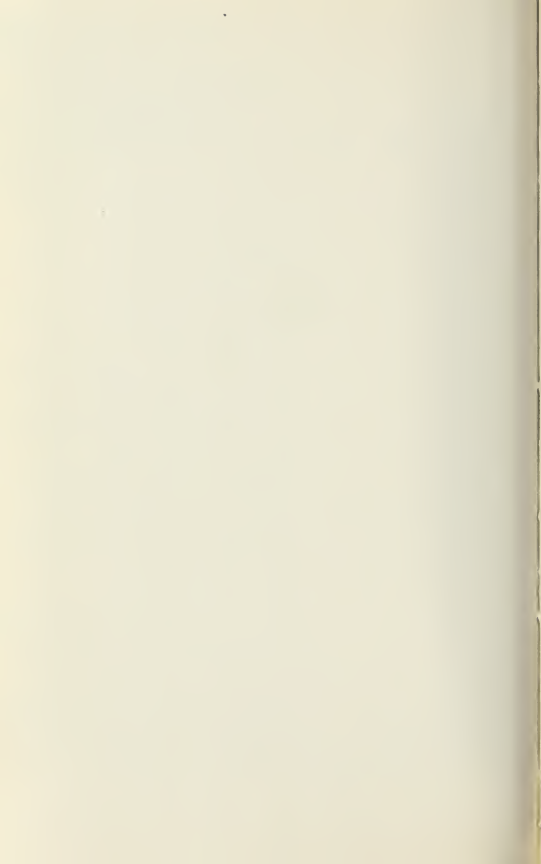


June 30, 1943

## NAME OF FUND

## LIABILITIES AND FUND BALANCES

NAME OF FUND									
RESOURCES									
Available Cash	Investments	Other Available Resources	Inter-fund Accounts	Total	Public Trusts:	Employees' retirement system	Bequests:	Unapplied Balances	
\$159,679.70	\$83,495,877.49	\$394,508.32	\$238,634.99	\$34,288,700.50				\$34,255,603.05	
					Brayton	11,947.70			
					Brunetti	1,184.29			
					Fallon	175.43			
					Fuhrman	225,951.88		142.87	225,809.01
					Herzstein	8,312.80			8,312.80
					Bender	124.20			124.20
					Marx	9,522.50			9,522.50
					McLaren	11,781.52		730.00	11,031.52
					McLellan	6,259.03			6,259.03
					Olsen	1,473.75			1,473.75
					Phelan, California Palace of the Legion of Honor	450.20			450.20
					Phelan, Library	4,327.50			4,327.50
					Robinson	54,551.75			54,551.75
					Sharp	10,358.37			10,358.37
					Strybing	171,482.23			167,886.45
					Windell	22,974.58			22,974.58
					de Young Museum	2,068.00			2,068.00
					Infantile Paralysis	3,913.91			3,913.91
					P. P. I. E. Trust	16,098.22			16,098.22
					State Highway	404,235.06			129,848.52
					P. W. A. Exposition Shoals	244.39		244.39	
					War Memorial	245.02			245.02
					Child Care Center—Project 4 N1-211	5,646.02			5,115.21
					Child Care Center—McKinley Project	1,818.18			1,660.83
					Salvage for Victory	9,263.86			5,677.71
\$709,752.08	\$33,925,323.21	\$309,400.61	\$238,634.99	\$35,273,110.89	Total public trusts	\$35,273,110.89		\$34,956,624.55	



## LIABILITIES AND FUND BALANCES

NAME OF FUND

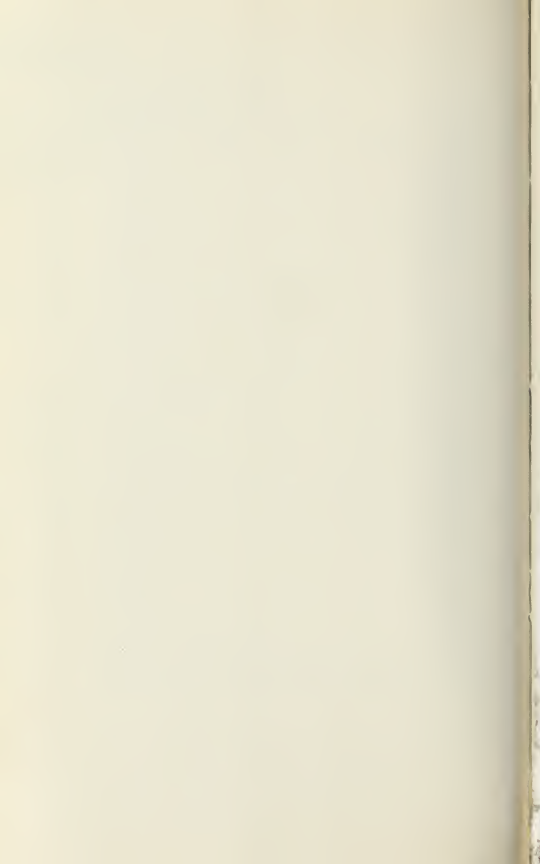
Available Cash	Investment Securities	Other Available Resources	Inter-fund Accounts	Total	Assessment and Redemption Funds:	RESERVES	Other	Inter-fund Accounts	Unapplied Balances
\$ 937.77			\$	937.77	City lands assessment.....				\$ 937.77
3,623.18				3,623.18	City lands redemption.....				3,623.18
1,302.30				1,302.30	Circular Avenue assessment.....				1,302.30
4,233.19				4,233.19	Circular Avenue redemption.....				4,233.19
461.36				461.36	Virginia Avenue assessment.....				461.36
1,580.31				1,580.31	Virginia Avenue redemption.....				1,580.31
63.75				63.75	Saturn Street redemption.....				63.75
		\$ 331.61		331.61	Sunset Tunnel assessment.....				331.61
141.69				141.69	Oakwood Street assessment.....				141.69
		8.74		8.74	Twin Peaks Tunnel assessment.....				8.74
\$ 12,343.55	\$ 340.35		\$	12,683.90	Total assessment and redemption funds.....				\$ 12,683.90
\$ 90.46		\$ 68.08	\$	158.54	Golden Gate Bridge and Highway District.....				\$ 158.54
132.49				132.49	Islais Creek Reclamation District assessment.....				132.49
80,013.03				80,013.03	Islais Creek Reclamation District general.....				80,013.03
21,665.20				21,665.20	Islais Creek Reclamation District interest.....				21,665.20
1,000.00				1,000.00	Islais Creek Reclamation District redemption.....				1,000.00
2,469.00				2,469.00	Law Library.....				2,469.00
789.75				789.75	State of California fines and forfeitures.....				789.75
528.84				528.84	State of California sales tax.....				528.84
180.65				180.65	State of California use tax.....				180.65
90,113.08				90,113.08	State of California Inheritance taxes.....				90,113.08
179.57				179.57	Teachers' annuity deposits.....				179.57
6,525.80				6,525.80	Teachers' retirement (permanent).....				6,525.80
3,808.08				3,808.08	State fund, County Fair.....				3,808.08
\$ 207,495.95		\$ 68.08	\$	207,564.03	Total agency funds.....				\$ 207,564.03
\$1,646,107.80	\$33,925,323.21	\$431,897.21	\$238,704.41	\$36,242,032.63	Total trust and assessment funds.....				\$35,922,067.16





FUNDS BALANCE SHEET  
PUBLIC SERVICE ENTERPRISES OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
June 30, 1943

RESOURCES					LIABILITIES AND FUND BALANCES									
Available Cash	Other Available Resources	Inter-fund Accounts	Total	Current Funds:	RESOURCES					Unapplied Private Trust Funds	Unap- pro-	Unencum- bered	Deferred Credits	Inter-fund Accounts
					Total	Encumbrances	Other	Inter-fund Accounts	Deferred Credits					
\$2,191,443.92	\$ 13,161.50	\$ 20,764.34	\$ 2,225,369.76	Operating.....	\$ 2,225,369.76	\$316,683.61	\$ 5,230.54	\$ 70,460.96				\$ 522,330.24	\$1,310,664.41	
446,439.71			446,439.71	Reconstruction and replacement..	446,439.71	31,347.77		23,573.00				391,518.94		
1,236.98			1,236.98	Surplus.....	1,236.98							1,236.98		
307,467.37	606,908.14	213,727.73	1,128,103.24	Operating.....	1,128,103.24	56,302.70	32,003.81	173,450.03				190,755.00	675,591.70	
210,653.03			210,653.03	Reconstruction and replacement..	210,653.03			8,699.00				201,097.17	856.86	
1,064,129.30			1,064,129.30	Extension reserve.....	1,064,129.30	20,573.57		54,497.60				987,716.55	1,041.58	
289,913.78		100,000.00	389,913.78	Surplus.....	389,913.78							389,913.78		
383,906.00	210,689.45	555,277.42	1,149,872.87	Operating.....	1,149,872.87	44,513.42		959,886.32	\$ 4,286.03			69,954.60	71,232.50	
300,458.48			300,458.48	Reconstruction and replacement..	300,458.48	219.38		53,384.80				243,483.44	3,370.86	
41,320.43	10,943.05	5,113.60	57,377.08	Airport, operating.....	57,377.08	5,870.55	5,021.70	4,269.79	7,870.22			2,605.66	31,739.16	
261,005.20		18,746.74	279,751.94	Public Utilities Commission.....	279,751.94	173,508.02		77,018.19				23,558.41	5,667.82	
3,287,500.00			3,287,500.00	Bond interest and redemption.....	3,287,500.00									
\$8,785,474.20	\$ 841,702.14	\$913,629.83	\$10,540,806.17	Total current funds.....	\$10,540,806.17	\$649,019.02	\$3,330,056.05	\$1,425,239.69	\$12,156.25			\$3,024,170.77	\$2,100,164.39	\$
Capital Funds:					Capital Funds:					Capital Funds:				
\$ 4,140.95		\$ 4,140.95	\$ 4,140.95	1933 water distribution.....	\$ 4,140.95							\$ 4,140.95		
250,000.00	\$1,000,000.00	1,250,000.00	1,250,000.00	1942 water works system.....	1,250,000.00		\$1,000,000.00					250,000.00		
28,224.36			28,224.36	Land purchase.....	28,224.36	\$ 594.50						\$ 4,543.88	23,085.98	
194,714.42			194,714.42	1932 Hetch Hetchy.....	194,714.42	2,775.12		\$ 24,800.00				50,789.32	116,349.98	
2,891.55			2,891.55	1933 Hetch Hetchy Dam.....	2,891.55							2,891.55		
1,302.50			1,302.50	Land Purchase.....	1,302.50								1,302.50	
78,131.87			78,131.87	1938 Airport.....	78,131.87	21,356.74		5,800.00				47,351.58	3,623.55	
22,300.00			22,300.00	Land purchase.....	22,300.00								22,300.00	
\$ 581,705.65	\$1,000,000.00		\$ 1,581,705.65	Total Capital Funds	\$ 1,581,705.65	\$ 24,726.36	\$1,000,000.00	\$ 30,600.00	\$			\$ 103,576.33	\$ 420,892.96	\$
\$ 108,919.78		\$ 108,919.78	\$ 108,919.78	Water Department deposits.....	\$ 108,919.78			\$ 5,205.85				\$		\$103,713.93
\$9,476,099.63	\$1,841,702.14	\$913,629.83	\$12,231,431.60	Total.....	\$12,231,431.60	\$673,745.38	\$4,330,056.05	\$1,461,045.54	\$12,156.25			\$8,129,747.10	\$2,520,967.35	\$103,713.93







# Treasurer's Office

Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1943



## CITY AND COUNTY OF SAN FRANCISCO

Office of the Controller

**TREASURER'S OFFICE**  
**REPORT ON EXAMINATION OF ACCOUNTS**  
 For the Fiscal Year Ended June 30, 1943

September 18, 1943

Mr. Harold J. Boyd, Controller,  
 City and County of San Francisco:

**TREASURER'S OFFICE****Report of Annual Audit—June 30, 1943**

Dear Sir:

In accordance with your instructions and pursuant to the provisions of Charter Section 66, an audit was made of the Treasurer's office for the fiscal year ended June 30, 1943, as hereinafter reported. As directed by you, two reports have been prepared of this audit, as follows:

- (1) One report for publication in the Controller's Annual Report for the fiscal year ending June 30, 1943, the text of which follows.
- (2) One report substantially identical with the above, supplemented by ten detailed schedules and an appendix containing a digest of changes in laws affecting the Treasurer. This report was distributed to City Officials, the Grand Jury, the Press and to the certified public accounting firms engaged this year by the City and County of San Francisco.

During the period covered by this audit, Capt. Duncan Matheson, former Treasurer of the City and County of San Francisco, died on Sunday October 25, 1942 and was succeeded in office by Mr. Thomas K. McCarthy, who was appointed by the Mayor October 26, 1942 for the unexpired term.

An examination of the accounts of the former Treasurer was made as at October 25, 1942 and is reflected in report to the Controller dated December 10, 1942. As far as can be determined by the examination, all official moneys, books, accounts, papers and documents were transferred to the incoming Treasurer in accordance with Political Code Section 4119.

On October 26, 1942, Mr. McCarthy filed his Oath of Office with the County Clerk and a surety bond in the amount of \$200,000.00 with the Controller in conformity with the provisions of Political Code Section 909 and Charter Section 31.

**Scope of Audit:**

The scope of the examination covered an audit of the accounts and of moneys and securities received and disbursed during the administration of both treasurers during the fiscal year, as hereinafter reported. In view of the existing method of internal check maintained in the Treasurer's office, and the method of internal check and continuous audit of receipts and disbursements maintained by the Controller's office which has as a basis a separate independent examination, a detailed audit of receipts and disbursements during the period was not included within the scope of this examination.

Cash on hand was verified June 30, 1943, by actual count. Cash in banks was reconciled with the Treasurer's records and confirmed direct to this office by the several depositories.

Securities and other assets in the custody of the Treasurer on June 30, 1943, were verified by examination as hereinafter reported.

Revenues and expenditures in connection with the operation of the Treasurer's office during the fiscal year were verified and confirmed against the Controller's records.

Mr. David F. Supple, Consultant to the Grand Jury, participated in this examination.

**Summary:**

A resume of transactions during the fiscal year 1941-1942 and 1942-1943 as reflected by the audit, is as follows:

	1942-1943	1941-1942
Cash on hand, June 30.....	\$ 25,888,504.54	\$ 20,714,044.05
Cash received during the fiscal year.....	91,358,894.04	83,356,914.44
Cash disbursed during the fiscal year.....	86,184,435.55	82,721,131.10
Total cash handled.....	177,543,329.59	166,078,045.54
Interfund and departmental accounts.....	123,186,689.30	125,208,829.18
Interest received on inactive deposits.....	28,499.91	32,529.36
Tax anticipation notes sold and redeemed.....	7,000,000.00	8,000,000.00
Inheritance Tax Collections.....	1,472,150.12	1,095,247.59
Commission and fees earned for the collection of inheritance tax.....	14,156.87	12,867.92

The collection of inheritance tax is a State function; the commission and fees earned are deposited to the credit of the general fund of the city and county.

**Deposits in Banks:**

Money on hand with the Treasurer available for deposit June 30, 1943 was allotted to banks in amounts as follows:

American Trust Company.....	\$ 979,981.28	3.92%
Anglo California National Bank.....	2,805,638.22	11.18%
Bank of America N. T. and S. A.....	21,052,816.22	83.93%
Wells Fargo Bank and Union Trust Co....	95,463.90	.38%
Bank of Canton.....	150,000.00	.59%
Total.....	\$25,083,899.62	100.00%

Charter Section 82 reads in part as follows:

"No deposit in any bank shall at any time exceed fifty percent of the paid up capital stock of such bank, and while there are other depositary banks available, no deposit in any bank shall exceed ten percent of the funds under the control of the treasurer available for deposit."

According to the Treasurer, he has been unable to deposit funds in any bank other than those indicated.

**U. S. War Savings Bonds:**

Purchase of U. S. War Savings Bonds by City and County employees under a payroll allotment plan was authorized by the Board of Supervisors by Resolution No. 2666, adopted June 1, 1942. In addition, bonds were purchased for employees upon deposit of the full bond purchase price.

Total of bonds purchased for City and County employees during the period March 6, 1942 to June 30, 1943 amounted to \$623,175 issue value (Maturity Value \$830,900) and were accounted for as follows:

	Issue Value	Maturity Value
Delivered to Controller for issuance to employees.....	\$619,425.00	\$825,900.00
Unregistered bonds in possession of the Treasurer, June 30, 1943.....	3,750.00	5,000.00
Total Bonds Purchased.....	\$623,175.00	\$830,900.00

**Revenues and Expenditures:**

Revenues and expenditures of the Treasurer's office for the fiscal year under review are compared with the preceeding fiscal year as follows:

	1942-1943	1941-1942
Revenues.....	\$42,741.28	\$45,417.83
Expenditures.....	56,692.70	58,468.52
Expenditures in excess of revenues.....	\$13,951.42	\$13,050.69

The decline in revenue is principally due to decrease in interest earned on funds deposited in inactive accounts, because of the limited amount of such deposits that the banks will accept.

The Treasurer's office is the depository of funds of the Islais Creek Reclamation District. An audit of the records pertaining to the Islais Creek Reclamation District and the several bequest and trust funds as such were not included within the scope of this assignment.

The records maintained in the Treasurer's office appear to be in order. All information desired was made available through the courtesy and cooperation of the Treasurer and his staff during the course of the audit.

Cash and securities for which the Treasurer was accountable and for which he has accounted as at June 30, 1943, and June 30, 1942, are summarized as follows:

**SUMMARY OF CASH AND SECURITIES IN CUSTODY****CASH:**

	June 30, 1943	June 30, 1942
Cash on hand.....	\$ 372,695.37	\$ 250,065.75
Bank Balances.....	25,083,899.62	19,947,157.55
Available Cash.....	25,456,594.99	20,197,223.30
Other Cash Items.....	251,450.50	283,595.75
Cash received after June 30, applied to prior year	180,459.05	233,225.00

**TOTAL CASH (FUND BALANCES).....** \$25,888,504.54    \$20,714,044.05

**SECURITIES (PAR VALUE):**

Collateral and Bank Balances.....	\$29,361,000.00	\$23,566,000.00
Employees' Retirement Fund Bonds.....	31,154,700.00	27,937,662.50
Bequest Fund Securities (1).....	163,000.00	100,000.00
Trust Fund Securities.....	15,000.00	15,000.00
Deposits on Leases.....	113,750.00	100,000.00
Employees' Payroll Allotment Plan—War Savings Bonds.....	5,000.00	12,750.00

**TOTAL SECURITIES (1).....** \$60,812,450.00    \$51,731,412.50

**TOTAL CASH AND SECURITIES.....** \$86,700,954.54    \$72,445,456.55

(1) Not including shares of Capital Stock, having a book value of \$194,876.35.

**I. AUTHORITY**

The Treasurer's office is conducted under the provisions of the Federal Reserve Act of 1935, as amended, effective August 23, 1937; the provisions of the laws of the State of California, the City and County Charter, and ordinances and resolutions of the Board of Supervisors.

Laws governing the operation of the Treasurer's office are outlined in previous annual audit reports. Changes and additions thereto during the fiscal year 1942-1943 are included in the appendix of the report with schedules filed concurrently with this report.

## II. CASH—\$25,888,504.54

Cash and items representing cash on hand were verified at the close of business June 30, 1943. Reconciliation was made with the amount charged to the Treasurer by the Controller on that date as follows:

### Cash on Hand:

1. Coin and Currency.....	\$ 221,363.64	
2. Checks on hand for deposit.....	151,331.73	
		\$ 372,695.37

### Cash in Banks:

3. Active Deposits.....	\$19,363,899.62	
4. Inactive Deposits.....	5,720,000.00	
		25,083,899.62

### Other Cash Items:

5. U. S. Bonds—Bail Deposits.....	\$ 47,050.00	
6. Registered City and County Bond Interest....	204,400.50	
		251,450.50

### TOTAL CASH AND CASH ITEMS COUNTED,

JUNE 30, 1943.....	\$25,708,045.49
7. Cash and Cash Items received after June 30, 1943 and applied to the fiscal year 1942-1943	180,459.05

### TOTAL CASH AND CASH ITEMS—JUNE 30, 1943

\$25,888,504.54

### BALANCE PER CONTROLLER'S RECORDS—

JUNE 30, 1943.....	<u>\$25,888,504.54</u>
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Reconciliation of the Controller's available cash and outstanding items recorded in the general ledger as at June 30, 1943 and the Treasurer's balance of cash on hand on that date is as follows:

#### Per Controller's General Ledger:

Available Cash.....	\$23,086,027.68
Outstanding Items.....	2,802,476.86
Total.....	<u>\$25,888,504.54</u>

Treasurer's Cash on Hand June 30, 1943.....	<u>\$25,888,504.54</u>
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Outstanding items indicated above are included in the following:

	Coupons	Bonds	Warrants	Total
General City.....	\$325,628.72	\$75,200.00	\$2,263,559.85	\$2,664,388.57
Public Service Enterprises....	94,580.00	9,900.00	33,608.29	138,088.29
Total.....	<u>\$420,208.72</u>	<u>\$85,100.00</u>	<u>\$2,297,168.14</u>	<u>\$2,802,476.86</u>

#### 1. Coin and Currency—\$221,363.64

Coin and Currency in the above amount were verified by actual count.

#### 2. Checks on hand for deposit—\$151,331.73

Examination indicated that all checks on hand were current and received in the usual order of business during the day.

Checks in the amount reflected above were deposited July 1, 1943 to their respective bank accounts as evidenced by duplicate deposit receipts on file.

#### 3. Bank Balances—Active Deposits \$19,363,899.62

#### 4. Bank Balances—Inactive Deposits \$5,720,000.00

Cash on deposit in banks at the close of business June 30, 1943 was reconciled with the Treasurer's balances and confirmed direct by the several depositories. Schedule A-1 of the report with schedules indicates the balances of each account, per bank confirmation, June 30, 1943, and their status with respect to Public Deposit Act.

Cash on deposit in banks in inactive accounts at the close of business June 30, 1943 is represented by Certificates of Deposits, as follows:

Date	Bank	Amount	Interest	Demand
9- 2-42	Bank of America.....	\$2,900,000.00	1/2 of 1 7/8%	30 days
9- 2-42	Bank of America.....	70,000.00	1/2 of 1 7/8%	30 days
9- 2-42	Bank of America.....	750,000.00	1/2 of 1 7/8%	30 days
9- 2-42	Anglo-California National Bank..	650,000.00	1/2 of 1 7/8%	60 days
9- 2-42	Anglo-California National Bank..	750,000.00	1/2 of 1 7/8%	60 days
10-10-42	American Trust Co.....	500,000.00	1/2 of 1 7/8%	30 days
6-24-43	Bank of Canton.....	100,000.00	3/4 of 1 7/8%	90 days
Total.....		\$5,720,000.00		

Examination of the Treasurer's copy of agreements covering the deposit of public funds disclosed that provisions of Section 1 of Act 2834a, to the effect that "... no such agreement shall provide for the deposit of any of said moneys for a longer period than one year ..." is incorporated in all agreements covering inactive deposits. According to the Treasurer, the City Attorney orally ruled that this provision does not apply to active deposits.

The examination further disclosed that all deposit agreements were signed by the Treasurer and all securities listed thereon approved by the City Attorney.

#### 5. U. S. Bonds—Bail deposits \$47,050.00

Bail Bonds examined and counted at the close of business June 30, 1943 were verified, in amount, against the Controller's records and summarized as follows:

County Clerk—Bail.....	\$15,100.00
County Clerk—Special Bail.....	50.00
Municipal Court—Bail.....	31,900.00

Total.....\$47,050.00

#### 6. Registered City and County Bond Interest—\$204,400.50

This amount represents uncleared interest payments by Treasurer's check to holders of registered City and County bonds. The payments are evidenced by pre-cancelled matured interest coupons which are transferred to the Controller when cleared. The Treasurer clears these items periodically subsequent to the clearance of his checks by the bank.

Clearance of these items by the Controller's Division of Accounts and Reports subsequent to date of the cash count was verified as follows:

Cancelled coupons on hand June 30, 1943.....\$204,400.50

Cleared to the Controller:

July 26, 1943.....	\$ 20,332.50
September 4, 1943.....	183,563.00
	<u>203,895.50</u>

Uncleared balance September 7, 1943.....\$ 505.00

#### 7. Cash received after June 30, 1943 and applied to the fiscal year 1942-1943—\$180,459.05

This amount represents collections made by various City and County departments prior to the close of business June 30, 1943, and deposited with the Treasurer July 1, 2 and 3, 1943. The above includes a deposit of \$61,535.97 from the Assessor; \$43,844.60 from the San Francisco Water Department; \$17,735.70 from Municipal Railway; the balance, \$57,342.78 from other City and County departments.

### III. SECURITIES—\$60,812,450.00

Securities in the custody of the Treasurer were examined and verifications were made as hereinafter reported. The total par value of securities with which the Treasurer was chargeable as at June 30, 1943, is summarized as follows:



## Charged to the Treasurer by the Controller:

1. Employees' Retirement System Bonds.....	\$31,154,700.00
2. Bequest Fund Bonds.....	163,000.00
3. Trust Fund Bonds.....	15,000.00
4. U. S. War Savings Bonds.....	5,000.00
5. U. S. Treasury Bonds (Deposits on Leases).....	113,750.00

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\$31,451,450.00

## Not charged to the Treasurer by the Controller:

6. Collateral Securities.....	\$29,361,000.00
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\*Total in custody June 30, 1943.....\$60,812,450.00

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(\*Exclusive of Corporate Stock—Book Value—\$194,876.35).

## 1. Employees' Retirement System Bonds—\$31,154,700.00

These securities are held in the joint custody vault of the Treasurer and Controller. Verification was made as at June 30, 1943 in conjunction with representatives of J. O. Sully & Company, Certified Public Accountants, engaged this year as auditors of the Employees' Retirement Fund.

Pursuant to the Controller's instructions dated August 15, 1940, maturing bonds and coupons are examined and checked by the Controller's General Office and released to the Treasurer for collection. Reports reflecting each monthly collection were prepared by the Controller's General Office and transmitted to the Employees' Retirement Board, as requested in memorandum dated August 8, 1933, from Mr. Ralph Nelson, Secretary-Actuary.

The total par value of bonds held in the joint custody vault, June 30, 1943, was verified against the Controller's records and schedule submitted by the Employees' Retirement Board.

Accountability for securities as at June 30, 1943, was established as follows:

Securities in the joint custody vault June 30, 1943, counted and examined.....\$27,954,975.00

Securities maturing July 1, 1943 deposited with the Bank of America for collection, per letter dated June 21, 1943.....52,725.00

Municipal securities maturing July 1, 1943 on hand with the Treasurer for collection.....37,000.00

U. S. Treasury Bonds, 2½%, due 1969, purchased from Retirement System Funds April 27 and 30, 1943:

Received June 28, 1943.....	1,555,000.00
Received July 7, 1943.....	1,555,000.00

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Total par value on hand.....\$31,154,700.00

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Total par value per Controller's records.....\$31,154,700.00

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Collections from the above securities maturing July 1, 1943 in the amount of \$52,725.00 and \$37,000.00 were evidenced by deposits made July 13, 1943.

Transactions during the fiscal year, summarized from the Controller's records, are as follows:

## Par Value Bonds:

On hand July 1, 1942, per annual Audit Report.....	\$27,937,662.50
Purchased during the fiscal year 1942-43.....	8,381,000.00

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Total.....\$36,318,662.50

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## Less:

Called during 1942-1943.....	\$ 9,000.00
Matured during 1942-1943.....	691,962.50
Sold during 1942-1943.....	4,463,000.00

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\$ 5,163,962.50

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Par value on hand June 30, 1943 per Retirement System's Records.....\$31,154,700.00

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## 2. Bequest Fund Bonds—\$163,000.00

Bonds in the total par value of \$163,000.00 and coupons attached thereto were examined and verified against the Controller's records. Transactions during the fiscal year were reviewed and checked with authorities therefor. Bonds and other assets in which the funds of the several bequests are invested and held in the joint custody vault of the Treasurer and Controller are reflected on Schedule No. A-2 of the report with schedules attached.

## 3. Trust Fund Bonds—\$15,000.00

Panama Pacific Exposition Trust Fund Bonds in the total par value of \$15,000.00 and coupons attached thereto were examined and the total compared with the Controller's records. These bonds are held in the joint custody vault of the Treasurer and Controller.

## 4. U. S. War Savings Bonds—\$5,000.00 (Not registered)

The above represents United States War Savings Bonds in various denominations having a maturity value in the amount of \$5,000.00 (issue value \$3,750.00), on hand with the Treasurer, June 30, 1943. These bonds are held in the Treasurer's vault for safe keeping and issued to the Controller under the "Employees' Payroll Allotment Plan."

## 5. U. S. Treasury Bonds—\$113,750.00

The above bonds represent deposits held by the Treasurer as security on leases of City and County property. Detail in connection therewith is reflected on Schedule No. A-2 of the report with schedules attached.

## 6. Collateral Securities—\$29,361,000.00

Bonds submitted by the several depositaries are held by the Treasurer as collateral pursuant to the provisions of Act 2834a, Section 4, General Laws. All bonds and coupons attached were examined, scheduled, and confirmed direct to the Controller by the several depositaries.

All bonds on hand conformed to the requirements of Act 2834a, Section 4, General Laws, as amended.

Sections 4 and 5 of that act are quoted in part as follows:

"Such securities shall be approved by the Treasurer and attorney of . . . political subdivision to an amount in market value at least ten per cent in excess of the amount of deposit with such bank or banks . . . Such security or any part thereof may be withdrawn or released on the written consent of such Treasurer, and the attorney . . . of the political subdivision."

The market value of the collateral was more than 10% in excess of the amount on deposit as indicated on Schedule No. A-1 of the report with schedules attached.

Examination of agreements pertaining to the deposit of county funds and of written consents for the release and exchange of securities disclosed that they were approved by the Treasurer and the City Attorney and that the procedure followed conformed to statutory requirements.

## City and County Bonds:

Fire Protection Bonds 1942 .....	\$3,000,000.00
Water Works System Bonds 1942 .....	1,250,000.00

The above bonds were authorized by the voters at the election held June 9, 1942. Transactions with respect to these bonds since that date and for the fiscal year ended June 30, 1943 are indicated in the following schedule:

### 1. Fire Protection Bonds 1942:

Authorized .....	\$3,000,000.00
Issued and Outstanding June 30, 1943:	
Sold Per Resolution No. 2718 .....	\$500,000.00
Sold Per Resolution No. 2778 .....	700,000.00
	<hr/>
	1,200,000.00
Unissued (not printed) .....	<hr/>
	\$1,800,000.00

## 2. Water Works System Bonds 1942:

Authorized.....	\$1,250,000.00
Amount cancelled by Bill No. 2257, Ordinance No. 2139, dated June 1, 1943.....	250,000.00
Balance Unissued (not printed).....	<u>\$1,000,000.00</u>

It is the practice of the Treasurer to order the printing of bonds only when sale of bonds has been authorized by the Board of Supervisors. No evidence was found that the Treasurer deviated from his usual practice in respect to unissued bonds of the above issues.

## IV. REVENUES

Revenues collected by the Treasurer during the fiscal year 1942-1943 are summarized from the Controller's records, as follows:

1. Interest earned on deposit of public funds.....	\$28,499.91
2. Commission on inheritance tax collections.....	14,156.87
3. Duplicate "Inheritance Tax Receipt" fees.....	10.50
4. Conscience money.....	74.00
	<u>\$42,741.28</u>

## 1. Interest Earned on Deposit of Public Funds—\$28,499.91

Interest earned during the fiscal year 1942-1943 in the amount indicated was deposited with the Treasurer per Controller's records as follows:

General Funds—Inactive Accounts.....	\$20,999.95
Public Utility Funds—Inactive Accounts.....	7,499.96
	<u>\$28,499.91</u>

The rate of interest paid during the fiscal year was  $\frac{1}{2}$  of 1% per annum on daily balances, payable quarterly, excepting one bank which paid  $\frac{3}{4}$  of 1% per annum.

The rate of interest received during the fiscal year on inactive deposits was in conformity with provisions of General Laws Act 2834a, Section 1, as amended. The section is quoted in full in the appendix of the report with schedules attached.

In accordance with provisions of Section 19, Article 12, of the Federal Reserve Act as amended to October 1, 1935, interest payments on active deposits were discontinued two years after date of the enactment.

Verification of interest allowed by the banks indicated that computations of interest were substantially correct.

## 2. Commission on Inheritance Tax Collections—\$14,156.87

Commissions on Inheritance Tax Collections received during the fiscal year 1942-1943 amounted to \$14,156.87.

The records maintained by the Treasurer for inheritance tax purposes are subject to audit by the State Controller's office.

The California Inheritance Tax Act (Statutes 1937, Section 20, in effect August 27, 1937) provides a maximum commission of \$14,000.00 to be retained by the Treasurer during a calendar year.

The State Controller confirmed by letter direct to the Controller, the above commissions and periods of accumulations as reflected by the Treasurer's records.

Inheritance Tax Collections on settlement dates hereinafter indicated were verified against deposits of inheritance tax per Controller's records for the same periods. Calculations of commissions on settlement dates were verified by the State Controller's office and test checked for the purpose of this audit.

Settlement dates and amounts are reflected as follows:

Period	Commission
June 1, 1942 to July 31, 1942.....	\$ 2,095.71
August 1, 1942 to September 30, 1942.....	2,162.36
October 1, 1942 to November 30, 1942.....	2,865.03
December 1, 1942 to January 31, 1943.....	3,229.01
February 1, 1943 to March 31, 1943.....	1,371.31
April 1, 1943 to May 30, 1943.....	2,433.45
Total received June 30, 1943.....	\$14,156.87
June 1, 1943 to July 31, 1943.....	1,513.42
Total Confirmed by State Controller.....	<u>\$15,670.29</u>

3. Duplicate Inheritance Tax Receipt Fees—\$10.50

A fifty cent fee is charged by the Treasurer for issuing duplicate receipts for inheritance tax, as prescribed by Section 10 of the Inheritance Tax Act of 1935. The collection and deposit of this fee is subject to the Controller's prescribed revenue procedure and is currently audited by the Controller's general office. Deposits of fees were verified against the Controller's records.

4. Conscience Money—\$74.00

The above represents unidentified remittances received in the Treasurer's mail. A remittance in the amount of \$62.00 included in the above amount, was ordered by the Board of Supervisors' Resolution No. 2803, dated August 10, 1942, to be held in trust until June 30, 1943, and if not claimed before that date, to be credited to the General Fund.

## V. EXPENDITURES

Expenditures and encumbrances from appropriations to the Treasurer's office for the fiscal year 1942-1943 are summarized from the Controller's records as follows:

follows:	Appropriation	Appropriated 1942-1943	Adjusted Appropriations 1942-1943	Expenditures and Encumbrances
To Department:				
Permanent Salaries.....		\$51,116.00	\$50,816.00	\$48,443.83
Contractual Services.....		7,500.00	124.26	43.86
Fiscal Agent—Service Charge.....			7,500.00	5,453.40
To Purchaser:				
Carfare.....		125.00	100.74	85.41
Maintenance and Repair of Office Equip- ment.....		300.00	300.00	218.72
Telephone and Telegraph.....		125.00	125.00	104.18
Postage.....		100.00	100.00	95.00
Stationery and Office Supplies.....		1,000.00	1,000.00	868.04
Equipment.....		400.00	600.00	582.96
Premiums on Official Bonds.....		1,000.00	1,000.00	797.30
Total.....		\$61,666.00	\$61,666.00	\$56,692.70

### Permanent Salaries—\$48,443.83

The 1942-1943 Salary Ordinance, Bill No. 1734, Ordinance No. 1667, provides for employments at maximum monthly rates in the Treasurer's office as follows:

### Appropriation No. 206.110.00—\$51,116.00

No. of Employ- ments	Class No.	Class Title	Maximum Monthly Rate	Employ- ment Status
1		Treasurer.....	\$666.66	Elective
1	B 10	Accountant.....	260.00	Civil Service
1	B 14	Senior Accountant.....	325.00	" "
1	B 102	Teller.....	240.00	" "
1	B 102	Teller.....	220.00	" "
4	B 104	Senior Teller.....	250.00	" "
1	B 112	Asst. Cashier, Treasurer's Office....	400.00	" "
1	B 112	Asst. Cashier, Treasurer's Office....	383.00	" "
1	B 222	General Clerk.....	175.00	" "
1	B 222	General Clerk.....	165.00	" "
1	B 234	Head Clerk.....	250.00	" "
1	B 408	General Clerk-Steno.....	175.00	" "

Test check of time rolls indicated that employments were within the provisions of the above ordinance. As the result of the appointment of Thos. K. McCarthy as Treasurer, employments and rates in the Treasurer's office were changed by promotions as follows:

Appointment of B-222 General Clerk, \$162.50.

B-222 General Clerk, \$175.00 to B-102 Teller, \$180.00.

B-102 Teller, \$220.00 to B-234 Head Clerk, \$230.00.

B-234 Head Clerk, \$250.00 to B-112 Assistant Cashier, \$300.00.

Examination of time roll procedure indicated compliance with the provisions of the Payroll Ordinance, Bill No. 37, Ordinance No. 9.0551, with respect to daily posting of time worked.

#### **Fiscal Agent—Service Charges—\$5,453.40**

Compensation paid the fiscal agent, the National City Bank of New York, for services rendered during the fiscal year 1942-1943, was in accordance with rates established by Bill No. 1233, Ordinance No. 1184. The amount expended was verified as follows:

	Par Value Paid	No. of Coupons	Rate of Compensation	Amount of Com- pensation
Coupons.....	\$2,390,938.75	108,800	\$ .04	\$4,352.00
Bonds.....	2,202,800.00	.....	1/20 of 1%	1,101.40
Total.....	<u>\$4,593,738.75</u>			<u>\$5,453.40</u>

Bonds and coupons paid in the above amount were confirmed by Fiscal Agent.

#### **Premium on Official Bond—\$797.30**

Employees of the Treasurer's office were bonded in accordance with the bond ordinance, Bill No. 1092, Ordinance No. 1058 and Bill No. 1280, Ordinance No. 1241. Bonds are on file with the Controller as prescribed by Charter Section 67.

Premiums paid on bonds during the fiscal year were as follows:

##### **Treasurer's Appropriation:**

Premium on bond of Thomas K. McCarthy, Treasurer, (one year period ending October 26, 1943).....\$1,000.00

Less: Unearned premium on bond of Duncan Matheson, former Treasurer (period from October 26, 1942 to January 8, 1943).....202.70

Net premium paid February 24, 1943.....\$ 797.30

##### **Purchaser's Appropriation:**

Premiums paid on Employees' Schedule Bond.....450.00

Total bond premiums paid.....\$1,247.30

#### **Insurance:**

Fidelity and Deposit Company of Maryland, Forgery Policy No. 2012501 for \$100,000.00, covering the period from May 15, 1942 to May 15, 1945, with premium paid from Purchaser's Appropriation, is on file with the Controller. This policy indemnifies the City and County of San Francisco and/or Duncan Matheson as Treasurer of the City and County of San Francisco. The policy should now be changed to read, and/or Thomas K. McCarthy, as Treasurer of the City and County of San Francisco.

#### **Other Expenditures:**

Expenditures made from other appropriations were test checked by examination of warrants drawn thereon. The examination disclosed that expenditures were made for purposes indicated by the appropriation account titles and that the purchasing procedure was in conformity with Bill No. 76, Ordinance No. 9.0861.

Respectfully submitted,

WREN MIDDLEBROOK,

Supervisor, General Audits.

# San Francisco Water Department

San Francisco, California

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Report on Examination of Accounts

As at June 30, 1943

**F. W. LAFRENTZ & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Mills Building, San Francisco

September 29, 1943.

The Honorable Harold J. Boyd, Controller,  
 City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under powers delegated to you by Ordinance 9.0621, passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the San Francisco Water Department as at June 30, 1943, and of the statement of income and surplus for the year then ended. In connection therewith, we reviewed the system of internal control and the accounting procedures of the Department and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

The consultant and statistician to the Grand Jury participated in the examination.

Submitted with this report are the following statements:

EXHIBIT "A"—BALANCE SHEET as at June 30, 1943;

EXHIBIT "B"—STATEMENT OF INCOME AND EXPENSE for the  
 Years Ended June 30, 1943, and June 30, 1942;

EXHIBIT "C"—SURPLUS ACCOUNT for the Year Ended June 30, 1943;

EXHIBIT "D"—SURPLUS ACCOUNT, CONDENSED, from March 3,  
 1930, to June 30, 1943;

SCHEDULE No. 1—OPERATING EXPENSES for the Years Ended June  
 30, 1943, and June 30, 1942.

### OPERATIONS

As indicated by the statement of income and expense, EXHIBIT "B" submitted herewith, the net income for the fiscal year ended June 30, 1943, amounted to \$2,968,018.68 after providing for depreciation and bond interest. The following is a condensed statement of the operations for the year ended June 30, 1943, with comparative figures for the previous year:

	Fiscal Year Ended		Increase Decrease*
	June 30, 1943	June 30, 1942	
Sale of water.....	\$8,235,668.86	\$7,718,881.72	\$516,787.14
Operating expenses, including depreciation.....	3,851,637.41	3,835,229.50	16,407.91
Operating Income.....	\$4,384,031.45	\$3,883,652.22	\$500,379.23
Other income, net.....	100,850.58	89,409.79	11,440.79
	\$4,484,882.03	\$3,973,062.01	\$511,820.02
Bond interest.....	1,516,863.35	1,584,383.34	67,519.99*
Net Income.....	\$2,968,018.68	\$2,388,678.67	\$579,340.01

A substantial increase in water sales is indicated above with but a slight increase in operating costs.

Included under "Other Income," during the year under review, are rents received from agricultural and other sources amounting to \$64,986.85, and proceeds from sales of walnuts from the Sunol orchard amounting to \$50,693.58.

In connection with the increase in the revenue from water sales, a five year comparison of the number of consumers served and metered deliveries of water is submitted as follows:

	As at June 30				
	1943	1942	1941	1940	1939
<b>Consumers, San Francisco District:</b>					
Residential.....	101,567	101,169	94,247	93,055	89,542
Commercial.....	29,464	29,577	29,502	26,919	26,805
Dock and shipping.....	344	306	292	287	280
	<u>131,375</u>	<u>131,052</u>	<u>124,041</u>	<u>120,261</u>	<u>116,627</u>
<b>Consumers, suburban district.....</b>	<b>647</b>	<b>779</b>	<b>557</b>	<b>568</b>	<b>562</b>
<b>Totals.....</b>	<b><u>132,022</u></b>	<b><u>131,831</u></b>	<b><u>124,598</u></b>	<b><u>120,829</u></b>	<b><u>117,189</u></b>
Fiscal Years Ended June 30					
	1943	1942	1941	1940	1939
<b>Metered deliveries (million cubic feet):</b>					
San Francisco district.....	2,760.6	2,503.4	2,347.5	2,378.7	2,271.9
Suburban districts, including free deliveries, riparian contracts.....	544.7	495.1	427.1	407.6	370.0
<b>Totals.....</b>	<b><u>3,305.3</u></b>	<b><u>2,998.5</u></b>	<b><u>2,774.6</u></b>	<b><u>2,786.3</u></b>	<b><u>2,641.9</u></b>

### TAXES

Section 64 of the Charter of the City and County of San Francisco specifies that the accounts of the municipally owned utilities should include "estimates of the amount of taxes that would be chargeable against such property and the revenue thereof, if privately owned and operated."

In lieu of San Francisco property taxes which have not been assessed, the operating expenses have been charged with amounts equal to the revenues recorded for water supplied to non-paying city departments as follows:

For the year ended June 30, 1943.....	\$539,104.53
For the year ended June 30, 1942.....	550,712.33
Decrease .....	<u>\$ 11,607.80</u>

The San Francisco Water Department, if privately owned, would be required to pay property taxes to the City and County of San Francisco for the fiscal year 1942-43 on a base of \$4.48 per \$100.00 of assessed valuation. In the absence of the Assessor's valuation we are unable to determine whether such taxes would or would not exceed the comparison charges indicated above.

Taxes paid by the Water Department to other cities and counties, and which are included in the operating expenses, were as follows:

For the year ended June 30, 1943.....	\$226,844.66
For the year ended June 30, 1942.....	258,915.58
Decrease.....	<u>\$ 32,070.92</u>

In connection with the payment of these taxes, it was observed that various special assessment taxes have been paid for several years under protest, and that for the year ended June 30, 1943, they amounted to \$36,928.56. We are of the opinion, however, that recovery of these protested taxes is doubtful.

The financial statements submitted with this report do not record any estimates covering Federal income tax, surtax, declared value and excess-profits taxes, capital stock tax, state franchise tax, and the pay roll taxes; and no computations of these taxes appear in the accounts of the Water Department. Many uncertain factors are involved in the computation of these taxes and accurate estimates are not possible. However, payments made by the Water Department to the City and County Employees' Retirement System were in excess of those which would be paid under present Federal and State pay roll tax rates.



## FINANCIAL POSITION

The financial position of the San Francisco Water Department as at June 30, 1943, is reflected in the balance sheet, EXHIBIT "A", and is summarized below showing a comparison with the figures at June 30, 1942:

ASSETS	June 30	
	1934	1942
Properties in service, less depreciation, and construction in progress.....	\$48,301,770.86	\$49,121,282.18
Cash on deposit with Treasurer.....	3,998,522.34	3,125,241.38
Revolving fund.....	30,000.00	29,980.00
Accounts receivable, less reserve.....	574,904.33	557,663.04
City of Palo Alto, collectible on or before June 30, 1958.....	148,799.30	156,471.04
Interfund accounts receivable.....	87,664.78	89,896.44
Deferred charges.....	449,479.16	508,187.28
Totals.....	<u>\$53,591,140.77</u>	<u>\$53,588,721.36</u>

LIABILITIES		
Bonded debt.....	\$34,190,000.00	\$35,753,000.00
Bond interest payable.....	681,523.35	709,185.00
Accounts payable and commitments.....	166,469.64	349,368.37
Consumers' deposits and construction advances.....	103,713.93	130,855.01
Interfund accounts payable.....	22,537.68	100,317.29
Compensation insurance reserve.....	31,522.24	25,752.82
San Francisco Bay Exposition, unused credit.....	279,211.36	279,177.79
Sundry credits.....	526.74	25.01
Surplus.....	18,115,635.83	16,241,040.07
Totals.....	<u>\$53,591,140.77</u>	<u>\$53,588,721.36</u>

The following comments are submitted relative to the assets and liability accounts appearing on the balance sheet:

**Fixed Capital—\$48,301,770.86:**

Fixed capital consists of properties in service, \$72,284,929.24, less reserve for depreciation, \$24,011,022.35, and construction in progress at June 30, 1943, amounting to \$27,863.97. The valuation of the properties in service is based on an appraisal made by engineers of the San Francisco Water Department as of December 31, 1937, plus subsequent additions at cost.

Section 128 of the Charter of the City and County of San Francisco specifies in part as follows:

"During the fiscal year 1937-1938 and at least every five years thereafter, the commission shall make an appraisal or may revise the last preceding appraisal of the value and probable useful life of each of the several classes of property of each utility, and shall, on the basis of said appraisal, redetermine the amount of the reasonable annual depreciation for each utility."

No appraisal has been made since the date indicated above.

The changes reflected in the accounts during the year under review are summarized as follows:

	Properties in Service	Depreciation
Balance, June 30, 1942.....	\$71,902,254.60	\$23,043,081.54
Additions.....	390,773.60	975,034.77
	<u>\$72,293,028.20</u>	<u>\$24,018,116.31</u>
Less: Retirements, sales, etc.....	8,068.96	7,093.96
Totals.....	<u>\$72,284,929.24</u>	<u>\$24,011,022.35</u>

The additions reflected above are classified as follows:

Landed capital.....	\$ 16,696.11
Pumping station equipment.....	136,229.46
Purification.....	3,015.29
Transmission and distribution.....	211,922.77
General equipment.....	8,360.79
Automobiles.....	13,942.46
Non-operating capital.....	606.72
Total.....	<u>\$390,773.60</u>

The major additions included in the above consisted of the purchase of 55 acres of land in San Mateo County for the San Andreas outlet, \$14,288.50; pumping equipment, Baden booster pump, \$80,933.39; Alemany pump, \$54,962.38; new cross town pipe line, \$151,099.03.

We inspected contracts, purchase orders, and invoices and determined that expenditures had been properly capitalized. Reference was made to the minutes of the Public Utility Commission in order to ascertain that approvals of the Commission had been obtained. It was noted that certain authorized outlays had been canceled due to priority restrictions placed on necessary construction materials.

#### Cash on deposit with Treasurer—\$3,998,522.34:

Cash on deposit with the Treasurer at June 30, 1943, was confirmed by review of the report made by the Controller's audit staff, prepared in connection with their examination of the Treasurer's office pursuant to Section 66 of the Charter.

The cash was held in the following funds:

Revenue fund.....	\$ 374,303.04
Reconstruction and replacement fund.....	210,653.03
Special deposit trust fund.....	112,084.65
Extension reserve fund.....	1,064,129.30
Water surplus fund.....	289,913.78
Land purchase fund.....	29,274.36
Water Works System bond fund, 1942.....	250,000.00
Bond redemption fund, 1928 bonds.....	1,003,000.00
Bond redemption fund, 1933 bonds.....	4,264.18
Bond interest fund, 1928 bonds.....	652,500.00
Bond interest fund, 1933 bonds.....	8,400.00
Total.....	<u>\$3,998,522.34</u>

#### Revolving fund—\$30,000.00:

The composition of the revolving fund was as follows:

Cash in banks.....	\$18,774.04
Water sales change and petty cash funds.....	3,775.00
Disbursements awaiting reimbursement.....	6,975.96
Disbursement for which the Controller has refused reimbursement.....	475.00
Total.....	<u>\$30,000.00</u>

Bank balances were confirmed by reconciliation with the certificates of the depositaries, and change and petty cash funds were verified by actual count or by communication with the custodians thereof. Disbursements awaiting reimbursement were cleared subsequent to June 30, 1943, except an item of \$2.72. The item of \$475.00 represents a check issued on May 14, 1937, to J. Glosso & Sons in payment of their claim covering property damage. The Controller has refused reimbursement of this amount under Section 85 of the Charter because, in his opinion, the claim was not filed in accordance with Section 87.

**Accounts receivable, less reserve—\$574,904.33:**

This amount is summarized as follows:

**Consumers' accounts:**

Deemed collectible.....	\$590,535.29	
Deemed uncollectible.....	730.50	
		\$591,265.79
Less: Reserve for doubtful accounts.....		32,003.81
		<u>\$559,261.98</u>

**Other accounts:**

Rentals.....	\$3,529.37	
Walnut Growers' Association and U. S. Walnut Control Board.....	9,434.37	
Miscellaneous.....	2,678.61	
		15,642.35
Total.....		<u>\$574,904.33</u>

The consumers' accounts were reviewed as to their collectibility and all amounts considered doubtful of collection appeared to have been charged to the reserve, except accounts aggregating \$730.50, which were awaiting approval by the Controller before being transferred to the reserve.

Our examination of the consumers' accounts included communication by mail for direct confirmation of the balances in certain selected accounts. The replies received did not indicate any differences.

In connection with the accounts recording income from rents and the proceeds from the sales of walnuts from the Sunol orchard, it was noted that a detailed audit was being conducted under the direction of the Controller. The records and transactions relating to both agricultural and non-agricultural rents were being examined in addition to the accounts reflecting the returns from walnut crop sales which of necessity had to include several prior crop years. Certain sections of the above audit have been completed and as a result of differences disclosed by the Controller's auditors, we made several adjustments in the accounts. Audit progress reports and supporting working papers were submitted to us for inspection and the courtesy of such action is hereby acknowledged. From a perusal of the data submitted, we are of the opinion that the audit will be very thorough and complete. Improvements in accounting procedures have already resulted and further improvements can be expected.

In view of the scope of the above audit and in order to avoid a duplication of effort, we confined our work to a limited test of various records and to the development of certain points brought to our attention by the auditors.

The miscellaneous accounts, aggregating \$2,678.61, consisted of receivables, all of which appear to be collectible. Included therewith was an amount of \$1,884.82 representing the June surcharge to the City of Palo Alto in connection with the Palo Alto pipe line agreement.

**City of Palo Alto—\$148,799.30:**

This amount represents the uncollected balance due from the City of Palo Alto for 60 per cent of the cost of the Palo Alto pipe line charged to the City of Palo Alto pursuant to agreement. The agreement specifies that the unamortized balance shall bear interest at 4½ per cent per annum and is collectible together with the interest charge by means of a surcharge of two cents per 100 cubic feet based on the monthly delivery of water, or by additional lump sum payments at the option of the City of Palo Alto. Any balance on June 30, 1958, will be payable at that date in full.

Confirmation of the balance at June 30, 1943, was obtained from the City Clerk of the City of Palo Alto.

The changes in the account during the year are summarized as follows:

Balance, June 30, 1942.....	\$156,471.04
Interest at 4½ per cent per annum on monthly balances....	6,865.04
	<u>\$163,336.08</u>
Collected by means of surcharges.....	14,536.78
	<u>Balance, June 30, 1943.....</u>
	<u>\$148,799.30</u>

**Interfund accounts receivable—\$87,664.78:**

Interfund accounts receivable were confirmed by reference to the records of the Controller.

**Materials and supplies—\$401,646.83:**

For the purpose of comment the materials and supplies are segregated as follows:

Materials and supplies, regular.....	\$342,072.97
Surplus materials.....	59,573.86
	<u>Total.....</u>
	<u>\$401,646.83</u>

Physical inventories of the materials and supplies designated above as "regular" were taken by employees of the Water Department accounting division from May 22 to May 28, 1943, and the general records and inventory stock cards were adjusted therewith. While the net adjustment was only \$62.51, the number of items requiring adjustment appeared to be out of line. The prices, extensions, and footings were test checked, a physical inspection and count of certain selected items was made and quantities were compared with the stock records as of the date of our inspection. The basis of valuation was cost, except for certain items which were being carried at salvage values.

The "surplus materials" item of \$59,573.86 represents construction equipment, materials and supplies, left over from various construction jobs. Except for a unit valued at \$2,455.36, these materials had not been set up previously on the records. The items affected were inventoried and offered for sale in accordance with War Production Board orders P46 and U1 and are stored at various locations. The items, a large portion of which have been previously used, were stated at values placed thereon by responsible employees of the Water Department. From sales subsequently made and from our inspection of many of the items, we are of the opinion that the values stated are reasonable.

**Commitments, contra—\$38,896.55:**

This represents goods and services receivable under contracts, purchase orders, etc.

**Other deferred charges—\$8,935.78:**

Contributions by the Water Department to Hetch Hetchy Water Supply for operating expenses are charged to a deferred account until advice is received that the latter has actually expended the contribution. The amounts of the reported expenditures are then charged to surplus on the books of the Water Department. On June 30, 1943, the unreported balance amounted to \$5,047.46 and is included in the above figure. The balance of \$3,888.32 represents expenditures for work in progress recoverable from various City departments or from construction advances, and certain other items which are chargeable on completion to maintenance accounts.

**Bonded debt—\$34,190,000.00:**

Changes during the year in the outstanding bonded debt are reflected hereunder:

	Outstanding June 30, 1942	Redeemed	Outstanding June 30, 1943
Spring Valley 4½%, 1928 issue.....	\$29,003,000.00	\$1,000,000.00	\$28,003,000.00
Water Distribution 4%, 1933 issue....	6,750,000.00	563,000.00	6,187,000.00
	<u>Totals....</u>	<u>\$1,563,000.00</u>	<u>\$34,190,000.00</u>

Bonds of the Spring Valley 1928 issue are due serially, \$1,000,000.00 on July 1 of each year to 1970. Bonds of the Water Distribution 1933 issue are also due serially, \$563,000.00 on December 1 of each year to 1952, and \$557,000.00 on December 1, 1953.

Canceled bonds supporting redemptions were not examined by us; our verification of these was made by reference to the records of the Controller.

In addition to the bonds indicated above, there were bonds authorized but unissued amounting to \$1,000,000.00 on June 30, 1943. These bonds, designated "Water Works System Bonds 1942", were authorized by the voters of the City and County of San Francisco at a special election held on June 9, 1942, which provided for an issue in the amount of \$1,250,000.00, redeemable serially, \$250,000.00 each year from June 10, 1943. The purpose of this issue was to provide funds for the improvement of the water distribution system by the construction of an auxiliary pumping plant at Lake Merced and the necessary connecting facilities. Due to inability to obtain the requisite priority ratings from the War Production Board, construction has been delayed, such delay extending beyond the first redemption date of June 10, 1943. The annual appropriation ordinance for the fiscal year 1942-1943 provided for the first serial redemption in anticipation of their sale. For purposes of expediency and economy, under the recommendation of the Controller, the Board of Supervisors by Ordinance No. 2139, passed June 1, 1943, authorized the cancellation of the \$250,000.00 bonds falling due on June 10, 1943, and also authorized the transfer of the funds provided in the annual appropriation ordinance for their redemption to the credit of the 1942 Water Works System Bond fund, in order to insure that sufficient funds be available for the ultimate completion of the project.

#### **Bond interest payable—\$681,523.35:**

This liability is analyzed as follows:

	Total	Spring Valley 1928 Issue	Water Distribution 1933 Issue
Matured coupons not presented for payment..	\$ 30,900.00	\$ 22,500.00	\$ 8,400.00
Coupons due July 1, 1943.....	630,000.00	630,000.00	.....
Coupons due December 1, 1943 (accrued portion)	20,623.35	.....	20,623.35
Totals.....	<u>\$681,523.35</u>	<u>\$652,500.00</u>	<u>\$29,023.35</u>

This liability was verified by reference to the records of the Controller.

#### **Accounts payable and commitments—\$166,469.64:**

This amount is made up as follows:

Outstanding warrants.....	\$ 71,173.77
Encumbrances (contracts, purchase orders, etc.):	
For materials and services received.....	\$38,574.22
Commitments, contra (balance of encumbrances, Controller's records).....	38,896.55
	<u>77,470.77</u>
California State Guard.....	17,825.10
Total.....	<u>\$166,469.64</u>

The outstanding warrants and encumbrances above were in agreement with the records of the Controller.

The California State Guard item represents the balance of an account reflecting the cost of services connected with patrolling certain Water Department facilities, now discontinued, less offsets for materials and services provided by the Water Department. The balance indicated is subject to further adjustment or offset.

#### **Consumers' deposits and construction advances—\$103,713.93:**

Consumers' deposits and construction advances are classified below. The records containing the detail of the individual balances were examined and reconciled, but we did not confirm the deposits and advances by direct communication.

The analysis follows:

Consumers' guarantee deposits.....	\$ 32,413.92
Construction advances.....	71,185.27
Custom work advances.....	5,320.59
<hr/>	
Total Liability Offset by Cash in Special Deposit Trust Fund.....	\$108,919.78
Less: Amounts due to other City departments, per Controller	5,205.85
<hr/>	
Total.....	<u>\$103,713.93</u>

**Interfund accounts payable—\$22,537.68:**

Interfund accounts payable were in agreement with the records of the Controller.

**Compensation insurance reserve—\$31,522.24:**

This reserve is provided for workmen's compensation claims of Water Department employees and is credited monthly with amounts based on a percentage of salaries and wages paid. The claims are handled through the City and County Employees' Retirement System.

**San Francisco Bay Exposition—\$279,211.36:**

This amount represents an undistributed credit balance arising in connection with the construction and operation of the water system serving Treasure and Yerba Buena Islands.

The recorded costs of the system as reported by Mr. W. P. Day, Vice-President and Director of Works, San Francisco Bay Exposition Company, amounted to \$361,324.92 up to December 31, 1937, which amount was set up on the Water Department books by a charge to "Properties in Service" and a credit to this deferred account. The deferred account was also credited with payments made by the Exposition Company as reimbursement for Water Department costs of operating the plant pumping water to the islands, and the account was charged for water furnished up to February 3, 1941.

Until a conclusion has been reached in the matter of eminent domain proceedings brought by the U. S. Navy Department against the City and County as to the acquisition of Treasure Island, final disposition of the balance in this account can not be made. Adjustments of the Water Department accounts will be necessary when it has been determined what units of the water system are being absorbed by the Navy Department.

**Surplus—\$18,115,635.83:**

An analysis of the changes in surplus account during the year ended June 30, 1943, is reflected in EXHIBIT "C", and a condensed analysis of surplus account from March 3, 1930, to June 30, 1943, is set forth in EXHIBIT "D".

It will be observed that surplus account has been credited with an amount of \$57,643.82 representing the book value of the previously unrecorded construction materials referred to in our comment on "materials and supplies".

In conformity with established accounting practice of the Water Department, contributions to Hetch Hetchy Water Supply for operating expenses were charged directly to surplus. The total charge for the year under review amounted to \$278,226.15.

## GENERAL

**Merger with Hetch Hetchy:**

Section 122 of the Charter provides that the Hetch Hetchy project when completed shall be merged with the San Francisco Water Department. We were advised by the City Attorney's office that, in their opinion, the Hetch Hetchy project has not been completed and can not be merged with the Water Department.

In conclusion, we wish to express our appreciation to the officials and employees of the Water Department and the Controller's office for their cooperation and courtesy during the course of the audit.

Respectfully submitted,  
F. W. LAFRENTZ & CO.,  
Certified Public Accountants.

## EXHIBIT "A"

## SAN FRANCISCO WATER DEPARTMENT

## BALANCE SHEET

June 30, 1943

## ASSETS

## FIXED CAPITAL:

## Properties in service:

Tangibles.....\$69,101,705.24

Intangibles.....3,183,224.00

\$72,284,929.24

Less: Reserve for depreciation.....24,011,022.35

\$48,273,906.89

Construction in progress.....27,863.97

\$48,301,770.86

## CASH:

On deposit with Treasurer.....\$ 3,998,522.34

Revolving fund.....30,000.00

4,028,522.34

## ACCOUNTS RECEIVABLE:

Consumers' accounts.....\$ 591,265.79

Less: Reserve for doubtful accounts.....32,003.81

\$ 559,261.98

Other accounts, for rents, etc.....15,642.35

574,904.33CITY OF PALO ALTO, part cost of Palo Alto pipe  
lines less collections to date, collectible on or  
before June 30, 1958.....148,799.30

## INTERFUND ACCOUNTS RECEIVABLE:

Public service enterprises.....\$ 85,406.13

General city and county.....2,258.65

87,664.78

## DEFERRED CHARGES:

Materials and supplies.....\$ 401,646.83

Commitments, contra.....38,896.55

Other deferred charges.....8,935.78

449,479.16Total.....\$53,591,140.77

## EXHIBIT "A"

## SAN FRANCISCO WATER DEPARTMENT

## BALANCE SHEET

June 30, 1943

## LIABILITIES

## BONDED DEBT:

Spring Valley 4½% bonds, 1928, maturing		
\$1,000,000.00 annually to July 1, 1970:		
Matured.....	\$ 3,000.00	
Due July 1, 1943.....	1,000,000.00	
Due July 1, 1944, to July 1, 1970.....	27,000,000.00	
	<u>\$28,003,000.00</u>	
Water Distribution 4% <sub>c</sub> , 1933, maturing \$563,000.00		
annually to December 1, 1952, and \$557,000.00		
on December 1, 1953.....	<u>\$ 6,187,000.00</u>	
		\$34,190,000.00

## BOND INTEREST PAYABLE:

Matured.....	\$ 30,900.00	
Due July 1, 1943.....	630,000.00	
Due December 1, 1943, accrued portion.....	20,623.35	
		<u>681,523.35</u>

## ACCOUNTS PAYABLE AND COMMITMENTS:

Warrants outstanding.....	\$ 71,173.77	
Contracts, purchase orders, etc.:		
For materials and services received.....	38,574.22	
Commitments, contra.....	38,896.55	
	<u>\$ 148,644.54</u>	
California State Guard.....	17,825.10	
		<u>166,469.64</u>

## CONSUMERS' DEPOSITS AND CONSTRUCTION ADVANCES.....

Less: Amounts due to other city departments,	\$ 108,919.78	
per Controller.....	5,205.85	
		<u>103,713.93</u>

## INTERFUND ACCOUNTS PAYABLE:

Public service enterprises.....	\$ 1,551.75	
General city and county.....	20,985.93	
		<u>22,537.68</u>

## COMPENSATION INSURANCE RESERVE.....

## DEFERRED CREDITS:

San Francisco Bay Exposition, remaining credit		
for Exposition water system recorded costs...\$		279,211.36
Other deferred credits.....	526.74	
		<u>279,738.10</u>

## SURPLUS.....

Total.....	<u>\$53,591,140.77</u>
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## EXHIBIT "B"

## SAN FRANCISCO WATER DEPARTMENT

## STATEMENT OF INCOME AND EXPENSE

For the Years Ended June 30, 1943, and June 30, 1942

	Year Ended June 30,	
	1943	1942
<b>SALE OF WATER:</b>		
San Francisco.....	\$7,010,907.28	\$6,558,195.43
Outside San Francisco.....	641,598.09	563,444.49
Municipal Departments, actual.....	44,058.96	46,529.47
Municipal Departments, comparison.....	539,104.53	550,712.33
	<u>\$8,235,668.86</u>	<u>\$7,718,881.72</u>
<b>OPERATING EXPENSES:</b>		
Source of water supply—Schedule No. 1.....	\$ 191,846.80	\$ 169,665.93
Standby charge and purchase of water.....	661,277.00	661,277.00
Pumping—Schedule No. 1.....	153,756.51	133,382.81
Purification—Schedule No. 1.....	62,120.92	60,720.61
Transmission and distribution—Schedule No. 1....	334,178.08	328,178.75
Commercial expense—Schedule No. 1.....	372,443.23	365,369.89
Administrative and general expense—Schedule No. 1	558,172.41	601,561.19
Provision for doubtful accounts.....	6,000.00	6,000.00
Municipal taxes, comparison.....	539,104.53	550,712.33
	<u>\$2,881,899.48</u>	<u>\$2,876,868.51</u>
Less: Over-distribution of transportation and over-head expense.....	3,008.99	4,129.25
	<u>\$2,878,890.49</u>	<u>\$2,872,739.26</u>
Provision for depreciation.....	972,746.92	962,490.24
	<u>\$3,851,637.41</u>	<u>\$3,835,229.50</u>
<b>OPERATING INCOME</b> .....	<b>\$4,384,031.45</b>	<b>\$3,883,652.22</b>
<b>OTHER INCOME:</b>		
Rentals, including crop shares.....	64,986.85	65,231.07
Sale of walnuts.....	50,693.58	32,867.90
Interest earned.....	14,365.00	15,958.20
Lake Merced income.....	3,455.30	5,133.10
Miscellaneous.....	2,794.99	7,483.66
	<u>\$ 136,295.72</u>	<u>\$ 126,673.93</u>
<b>OTHER EXPENSE:</b>		
Bond interest, 1928 issue.....	\$1,260,000.00	\$1,305,000.00
Bond interest, 1933 issue.....	256,863.35	279,383.34
Agricultural Division expense.....	9,376.06	9,255.48
Walnut orchard expense.....	22,753.79	22,346.90
Lake Merced expense.....	2,486.14	4,738.87
Miscellaneous expense.....	829.15	922.80
	<u>\$1,552,308.49</u>	<u>\$1,621,647.48</u>
<b>NET INCOME</b> .....	<b>\$2,968,018.68</b>	<b>\$2,388,678.67</b>

EXHIBIT "C"

SAN FRANCISCO WATER DEPARTMENT

SURPLUS ACCOUNT

For the Year Ended June 30, 1943

BALANCE JUNE 30, 1942, as per report of audit for the year then ended.....		\$16,241,040.07
Add: Net income for the year ended June 30, 1943....	\$2,968,018.68	
Surplus materials and supplies recovered from construction jobs and not previously on the records	57,643.82	
Other miscellaneous additions and deductions, net	2,280.55	3,027,943.05
		<hr/>
		\$19,268,983.12

DEDUCT CONTRIBUTIONS:

To general fund for Hetch Hetchy bond interest and redemption.....	\$ 810,121.14	
To general fund for expenses of special election in connection with acquisition of Market Street - Railway System.....	65,000.00	
To Hetch Hetchy water supply for operating expenses.....	278,226.15	1,153,347.29
		<hr/>
BALANCE, JUNE 30, 1943.....		<u>\$18,115,635.83</u>

## EXHIBIT "D"

## SAN FRANCISCO WATER DEPARTMENT

## SURPLUS ACCOUNT, CONDENSED

From March 3, 1930, to June 30, 1943

## INITIAL SURPLUS AS AT MARCH 3, 1930:

Excess earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price in accordance with order of The Railroad Commission of the State of California.....	\$ 4,152,652.24	
Valuation placed upon Municipal Water Works.....	100,000.00	

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\$ 4,252,652.24

Less: Additional allowance for depreciation from March 1, 1920, to March 3, 1930 .....	2,327,916.67	
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\$ 1,924,735.57

## Add:

Net profit March 3, 1930, to June 30, 1943, including miscellaneous year to year surplus adjustments.....	\$29,444,981.59	
Grants earned on Federal Public Works Projects.....	2,358,987.60	
Bond premiums less bond expense on sale of 1933 Water Distribution Bonds.....	808,292.40	
Properties and materials from Newark-San Lorenzo pipe line transferred from Hetch Hetchy Water Supply Project at salvage value.....	323,723.34	
Depreciated value of twelve-inch mains transferred from San Francisco Airport.....	20,898.83	
Labor donated by Federal Government for construction of roof over Crystal Springs Aqueduct.....	20,091.00	
City of Palo Alto contribution to cost of Palo Alto pipe line.....	217,207.04	
Cash received under agreement relating to Palo Alto pipe line.....	70,000.00	33,264,181.80
		<hr/>
		\$35,188,917.37

## Deduct:

Contributions to general fund.....	\$11,297,090.24	
Contributions to Hetch Hetchy Water Supply and Power Project.....	3,642,595.32	
Land contributed to City and County of San Francisco and to Joint Highway Commission for streets and boulevards.....	143,121.07	
Excess of adjusted book value of plant over appraisal at December 31, 1937.....	1,990,474.91	17,073,281.54

BALANCE, JUNE 30, 1943.....

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\$18,115,635.83

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SCHEDULE No. 1  
OPERATING EXPENSES

For the Years Ended June 30, 1943, and June 30, 1942

SOURCE OF WATER SUPPLY:	Year Ended June 30,	
	1943	1942
Superintendence.....	\$ 23,993.96	\$ 23,472.24
Operating labor.....	28,323.03	28,362.75
Operating supplies and expense.....	13,211.57	14,417.44
Repairs, buildings, fixtures, and grounds.....	101,528.73	87,043.45
Repairs, surface facilities.....	27,757.45	16,357.85
Repairs, miscellaneous equipment.....	32.06	12.20
	<u>\$194,846.80</u>	<u>\$169,665.93</u>

PUMPING:

Labor, pumping.....	\$ 41,795.41	\$ 39,673.35
Labor, miscellaneous.....	2,630.79	2,433.04
Fuel for steam.....	19,032.92	18,263.02
Power purchased.....	70,472.76	58,770.08
Lubricants.....	131.33	67.25
Miscellaneous supplies and expense.....	1,325.94	1,221.20
Repairs, primary pumping equipment.....	10,642.86	8,677.78
Repairs, boilers and equipment.....	410.61	347.43
Repairs, miscellaneous equipment.....	2,379.55	964.08
Other repairs and gardening.....	4,934.34	2,965.58
	<u>\$153,756.51</u>	<u>\$133,382.81</u>

PURIFICATION:

Superintendence and labor.....	\$ 18,689.62	\$ 21,991.56
Supplies and expense.....	39,959.06	34,728.67
Repairs, plant structures and equipment.....	2,792.02	3,685.93
Repairs and maintenance, roads and trails.....	680.22	314.45
	<u>\$ 62,120.92</u>	<u>\$ 60,720.61</u>

TRANSMISSION AND DISTRIBUTION:

Superintendence.....	\$ 28,562.52	\$ 35,470.40
Patrolling storage facilities.....	14,800.86	14,103.38
Meters and fittings department.....	43,342.42	52,277.57
Street department.....	21,099.99	18,635.77
Consumers' premises expense.....	16,200.73	14,988.19
Miscellaneous supplies and expense.....	7,087.00	8,154.75
Repairs, transmission mains and canals.....	28,067.00	19,614.53
Repairs, reservoirs, tanks, and stand-pipes.....	3,320.28	3,163.23
Repairs, distribution mains and canals.....	71,020.46	72,606.65
Repairs, service connections.....	76,802.13	65,864.30
Repairs, buildings, streets, and grounds.....	23,323.47	21,863.76
Repairs, distribution equipment.....	551.22	1,436.22
	<u>\$334,178.08</u>	<u>\$328,178.75</u>

SCHEDULE No. 1  
OPERATING EXPENSES

For the Years Ended June 30, 1943, and June 30, 1942

COMMERCIAL EXPENSE:	Year Ended June 30.	
	1943	1942
Collection.....	\$115,147.73	\$117,376.98
Reading meters.....	40,012.81	40,315.82
Bookkeeping.....	112,377.47	111,514.44
General.....	43,156.59	37,834.54
Inspection and service.....	46,987.28	43,968.51
Shipping.....	14,761.35	14,359.60
	<u>\$372,443.23</u>	<u>\$365,369.89</u>

ADMINISTRATIVE AND GENERAL EXPENSE:

Salaries, general officers.....	\$ 11,800.00	\$ 12,400.00
Salaries, general office clerks.....	46,459.40	45,227.66
Miscellaneous supplies and expense.....	5,287.80	12,675.74
Injuries and damages.....	1,333.35	2,976.39
Retirement system contributions.....	42,518.52	38,640.18
Mason Street building expense.....	22,513.02	23,577.94
Telephone service.....	16,599.73	16,628.35
Guest cottages and rest room.....	1,071.88	1,310.32
General engineering.....	39,966.19	44,925.27
Hydrography.....	1,936.00	801.22
Miscellaneous.....	718.50	777.20
Compensation insurance.....	9,612.62	9,541.76
Other insurance.....	14,824.32	5,604.06
Repairs, Mason Street building.....	4,555.48	8,006.56
Repairs, telephone system.....	6,808.13	6,268.77
Professional services.....	2,300.00	2,300.00
Public Utilities Commission expense.....	48,494.00	49,982.00
Property taxes (outside San Francisco).....	226,844.66	258,915.58
Emergency civilian defense.....	54,528.81	61,002.19
	<u>\$558,172.41</u>	<u>\$601,561.19</u>

# Hetch Hetchy Water Supply and Power Project

Report on Examination of Accounts  
For the Year Ended June 30, 1943

**JOHN F. FORBES & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**SAN FRANCISCO**

October 8, 1943

Honorable Harold J. Boyd,  
 Controller, City and County of San Francisco,  
 San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the Hetch Hetchy Water Supply and Power Project for the fiscal year ended June 30, 1943, and submit the following exhibits and schedules:

Exhibit

A—Balance Sheet, June 30, 1943.

B—Statement of Operations for the Fiscal Year Ended June 30, 1943.  
 Schedule

1—Statement of Production Expenses.

2—Statement of Power Transmission Expenses.

3—Statement of Administrative and General Expenses.

In addition to the above, we present the following comments:

**SCOPE OF EXAMINATION**

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1943, and an analytical review and test-check of the revenues and expenses during the year ended that date. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the project and, without making a detailed audit of the transactions, have examined or tested accounting records of the project and other supporting evidence, by methods and to the extent we deemed appropriate. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the fiscal year ended June 30, 1943, without regard to their classification as to water or power.

The consultant and statistician to the Grand Jury participated in the examination.

**OPERATIONS**

On Exhibit B of this report will be found details of the operations of the project for the year under review.

The reports of revenues in connection with the consignment of power to the Pacific Gas and Electric Company under the agreement with that company dated July 1, 1925, and the delivery of electric energy to the Aluminum Company of America under an agreement with the Defense Plant Corporation to which reference is made subsequently in this report, were examined and verified by us.

The operations of the Water Supply Division are financed by contributions from the San Francisco Water Department and from taxes of the City and County of San Francisco, and by receipts from the San Francisco Water Department and the Hetch Hetchy Power Division for standby charges and/or delivery of water. In the accounts, the contributions have been credited to "Contributed Surplus" and the other items to operating revenue.

Section 64 of the City Charter provides, in part, that the Public Utilities Commission shall maintain accounts for each utility in such a manner as to exhibit estimates of the amounts of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated. During the year under review, city, county, and irrigation district taxes aggregating \$14,043.61 were paid by the Hetch Hetchy Water Supply and Power Project. If privately owned and operated, the project would also be subject to Federal income, capital stock, excess profits, and State franchise taxes, the amounts of which, due to the number of indeterminate factors involved, cannot be readily determined.

## CONTRACT WITH THE PACIFIC GAS AND ELECTRIC COMPANY

The United States Supreme Court has rendered a decision that the agency contract executed in 1925, with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power, is in violation of the Raker Act. As a result of negotiations between the City authorities and the Secretary of the Interior, the Federal District Court has suspended to June 30, 1944, the effective date of the injunction that will, when issued, restrain the City from disposing of power under the contract in question.

Under the date of May 29, 1942, the City and County of San Francisco executed an agreement with the Defense Plant Corporation, a corporation created under Section 5d of the Reconstruction Finance Corporation Act, as amended, to aid in the National Defense Program, covering the delivery to that corporation of electric energy for the operation of an aluminum reduction plant located near Riverbank, California, the construction of which is now nearing completion. The term of the agreement is for a period of five years from the initial delivery of power which occurred in May, 1943. The corporation has the privilege of cancelling the agreement on the thirty days' notice.

In order to meet the delivery requirements of the Defense Plant Corporation, the City and County of San Francisco, on the same date, May 29, 1942, executed an agreement with the Pacific Gas and Electric Company for the purchase from that company of electric energy to supplement that available from the Hetch Hetchy generating plants.

The following comments relate to assets and liabilities appearing on Exhibit A of this report:

### PROPERTIES—\$106,135,355.78

As previously mentioned, our verification of the property accounts was limited to a review of the recorded additions and retirements during the year ended June 30, 1943, without regard to their classification as to water or power.

Following is a condensed summary of the property accounts as recorded in the books, showing the changes therein during the year:

	Total	Water	Power
Balance, June 30, 1942.....	\$106,104,953.17	\$93,720,867.61	\$12,384,085.56
Additions.....	77,842.48	35,437.47	42,405.01
Total.....	\$106,182,795.65	\$93,756,305.08	\$12,426,490.57
Deduct retirements.....	47,439.87	8,724.67	38,715.20
Balance, June 30, 1943.....	<u>\$106,135,355.78</u>	<u>\$93,747,580.41</u>	<u>\$12,387,775.37</u>

Under a previous engagement, in accordance with your request, we reviewed the reallocations made between the Water Supply and Power Divisions of expenditures for fixed capital in service and of bonded indebtedness of the project, under the direction of the Public Utilities Commission, as of June 30, 1938.

As stated in our report on that review, the reallocations were, in general, based upon an appraisal of the properties made by the Bureau of Engineering of the Public Utilities Commission in order to determine the amount of the reasonable annual depreciation requirement under Section 128 of the City Charter of the City and County of San Francisco which requires that during the year 1937-1938, and at least every five years thereafter, the Commission shall make an appraisal or may revise the last preceding appraisal of the value and probable useful life of each of the several classes of property of each utility under the jurisdiction of the Commission.

The properties were allocated to the two divisions on the following basis:

Power Division—Property used exclusively for power purposes, and

Water Division—All other property, i.e., property used exclusively for water purposes and that used jointly for power and water purposes.



Coincident therewith, the bonded indebtedness of the project outstanding as of June 30, 1938, was allocated "on the basis of the percentage relationships of the gross appraisal amounts for the two divisions" as shown below:

	Gross Appraisal Including Construction Work in Progress	Per- centage	Amount of Bonded Indebtedness, In Even Thousands
Water Division.....	\$ 95,269,346.00	88.4%	\$60,177,000.00
Power Division.....	12,484,771.00	11.6%	7,896,000.00
Total.....	<u>\$107,754,117.00</u>	<u>100.0%</u>	<u>\$68,073,000.00</u>

Based upon our review, it is our opinion that the reallocations made of fixed capital in service and bonded indebtedness of the project appear to be inequitable, and in any event do not conform with the general principles of the Raker Act pertaining thereto. The primary reason for this opinion is that all property used jointly for power and water purposes has been allocated entirely to the Water Supply Division, as a result of which it is not possible, without detailed cost studies and/or analyses, to establish accurate costs of furnishing water and power as required under the Raker Act. A further reason is that, although the object of the enlargement of the O'Shaughnessy Dam was, in part, "to permit the operation of the Moccasin Power Plant at full capacity throughout each year," the entire construction cost of the enlargement has been allocated to water operations.

In substantiation of our conclusion, we quote the following from the provisions of the Raker Act:

Section 9(d):

In connection with the sale of water to the Modesto and Turlock irrigation districts in excess of that to which they are entitled under the Act, such sales are to be made "at such a price as will return to the grantee the actual total costs of providing such stored water, such costs to be computed in accordance with the currently accepted practice of public cost accounting as may be determined by the Secretary of the Interior, including, however, a fair proportion of the cost to said grantee of the conduit, lands, dams, and water-supply system included in the Hetch Hetchy and Lake Eleanor sites; . . ."

Section 9(m):

" . . . The said grantee shall develop and use hydroelectric power for the use of its people and shall, at prices to be fixed under the laws of California or, in the absence of such laws, at prices approved by the Secretary of the Interior, sell or supply such power for irrigation, pumping, or other beneficial use, said prices not to be less than will return to said grantee the actual total costs of providing and supplying said power, which costs shall be computed in accordance with the currently accepted practice of public cost accounting, as shall be determined by the Secretary of the Interior, including, however, a fair proportion of cost of conduit, lands, dams, and water-supply systems; . . ."

Continuing studies are being made to determine the proper method or methods of reallocation of expenditures for facilities jointly used, in accordance with the request of the United States Department of the Interior.

Section 122 of the City Charter provides that the Hetch Hetchy Project, when completed, shall be merged with the San Francisco Water Department. In view of this provision and the fact that the flow of water from the project commenced in October, 1934, we have, as on previous engagements, requested an opinion from the City Attorney as to whether or not the project was completed as of the balance sheet date, within the meaning of the City Charter. In his reply, the City Attorney has stated that, for various reasons, in his opinion the project is still far from completion.

**RESERVES FOR DEPRECIATION—\$14,986,832.44**

Following is a summary of the reserve for depreciation accounts showing the changes therein during the year under review:

	Total	Water	Power
Balance per audit report, June 30, 1942.....	\$13,417,190.14	\$ 8,990,174.99	\$4,427,015.15
Add:			
Provision for the year computed on the straight-line method applied to the depreciable portions of cost, and useful lives of the respective assets, as established by the Bureau of Engineering of the Public Utilities Commission.....	1,576,429.92	1,301,693.36	274,736.56
Adjustments resulting from plant retirements, etc. (see below*)..	63,379.36	10,371.76	53,007.60
Total.....	<u>\$15,056,999.42</u>	<u>\$10,302,240.11</u>	<u>\$4,754,759.31</u>
Deduct:			
Plant retirements and estimated cost of removal.....	\$ 71,619.48	\$ 11,906.08	\$ 59,713.40
Less salvage recovered.....	1,452.50	.....	1,452.50
Remainder.....	<u>\$ 70,166.98</u>	<u>\$ 11,906.08</u>	<u>\$ 58,260.90</u>
Balance, June 30, 1943.....	<u>\$14,986,832.44</u>	<u>\$10,290,334.03</u>	<u>\$4,696,498.41</u>
*Charged to operations (see Exhibit B).....			\$60,630.79
Charged to surplus.....			2,748.57
Total.....			<u>\$63,379.36</u>

The Board of Supervisors appropriated \$14,264.00 for reconstruction and replacement expenditures of the Water Supply Division and \$27,063.00 for those of the Power Division during the year, and these amounts were transferred from the project operating fund to the respective reconstruction and replacement funds. The balances in the latter funds at June 30, 1943, which were on deposit with the City Treasurer, aggregated \$300,555.82.

Under Section 128.1 of the City Charter, the Public Utilities Commission is required to provide sufficient funds for reconstruction and replacements due to physical and functional depreciation of each of the utilities under the jurisdiction of the Commission, in accordance with established practice for utilities of similar character.

No evidence was made available to us indicating that an appraisal of the Hetch Hetchy properties, as of June 30, 1943, was in course of preparation, as required by Section 128 of the City Charter to which reference has been made previously in this report.

**CASH****On Deposit With Treasurer—\$2,661,503.69**

The cash on deposit with the Treasurer as of June 30, 1943, is composed of the following funds:

Construction.....	\$ 224,611.97
Bond redemption.....	1,006,000.00
Bond interest.....	715,382.50
Operating.....	413,650.90
Reconstruction and replacement.....	300,555.82
Land purchase.....	1,302.50
Total.....	<u>\$2,661,503.69</u>

These balances were verified by the auditing staff of the Controller's office. We inspected the report on such verification and ascertained that the balances in the respective funds as recorded on the books were in agreement therewith.

**Other—\$8,529.03**

The composition of the above amount is as follows:

Bank balances (verified by certifications obtained from depositories).....	\$6,164.29
Cash fund at City office (verified by count).....	400.00
Reimbursements in transit, offset by liabilities included in contracts, purchase orders, and other commitments.....	1,435.71
Pay-roll deductions in transit (deposited in July, 1943).....	529.03
Total.....	<u>\$8,529.03</u>

**ACCOUNTS RECEIVABLE—\$210,689.45**

The accounts receivable, all of which with minor exceptions had been collected at the time of our examination, are as follows:

Aluminum Company of America for electric energy delivered under agreement with the Defense Plant Corporation, during May and June, 1943.....	\$116,968.92
Pacific Gas and Electric Company for power sales from the Moccasin and Early Intake power houses for the month of June, 1943.....	89,796.87
Miscellaneous accounts.....	3,923.66
Total.....	<u>\$210,689.45</u>

## DEFERRED CHARGES

## Estimated Salvage Value—Corral Hollow Pipe Line—\$199,965.21

This amount represents the estimated salvage value as of June 30, 1943, of the Corral Hollow Pipe Line, which has been retired from service, and its composition is as follows:

Value established by the Bureau of Engineering of the Public Utilities Commission as of June 30, 1938.....	\$273,850.00
Add adjustments of values of pipe, etc., recorded as of June 30, 1941.....	1,543.71
Total.....	<u>\$275,393.71</u>

## Deduct:

Materials used during the year ended June 30, 1942, by the San Francisco Water Department, billed at valuation prices.....	\$ 42,012.50
Proceeds from sale of pumps, transformers, etc., during the year under review.....	\$42,003.19
Less profit realized credited to surplus.....	8,587.19
Remainder.....	<u>33,416.00</u>

Total deductions..... \$ 75,428.50

Estimated salvage value, June 30, 1943..... \$199,965.21

## Prepaid Rent, etc.—\$79,021.69

The composition of the above amount is as follows:

Preliminary investigations and surveys—Cherry River Development.....	\$56,543.11
One-half of \$30,000.00 rent due the United States Government under the Raker Act for the year ending December 19, 1943.....	15,000.00
Work in progress.....	4,898.23
Unamortized portion of cost of extension of electric energy line to serve Tesla Portal Chlorinating System.....	1,717.00
War risk insurance premiums unexpired, etc.....	863.35
Total.....	<u>\$79,021.69</u>

## Materials and Supplies—\$21,990.36

The materials and supplies are composed of the following:

Book inventory—Moccasin materials and supplies.....	\$21,376.08
Gasoline and oil at Livermore (book inventory).....	95.03
Postage stamps at City Office (verified by count).....	519.25
Total.....	<u>\$21,990.36</u>

Physical tests of the Moccasin materials and supplies are made by employees throughout the year, and the stock cards brought into agreement therewith. Twice each year the balance of the ledger account in the City office records is adjusted to agree with inventories based upon the Moccasin stock cards.

**BONDED DEBT—\$56,931,000.00**

Following is a summary of the bonds authorized and sold in connection with the Hetch Hetchy Water Supply and Power Project, together with those redeemed and those outstanding as of June 30, 1943:

Issue	Authorized and Sold	Redeemed in Prior Years	Redeemed During Year Under Review	Outstanding, June 30, 1943
Jan. 1, 1909, 4½%.....	\$ 600,000.00	\$ 600,000.00	.....	.....
July 1, 1910, 4½%.....	45,000,000.00	22,000,000.00	\$1,000,000.00	\$22,000,000.00
Jan. 1, 1925, 5%.....	10,000,000.00	3,247,000.00	253,000.00	6,500,000.00
July 1, 1928, 4½%.....	24,000,000.00	2,400,000.00	600,000.00	21,000,000.00
June 1, 1932:				
5¾%.....	4,325,000.00	666,000.00	173,000.00	3,486,000.00
5%.....	1,234,000.00	58,000.00	8,000.00	1,168,000.00
4½%.....	143,000.00	26,000.00	13,000.00	104,000.00
4%.....	280,000.00	20,000.00	.....	260,000.00
3%.....	194,000.00	.....	.....	194,000.00
2¾%.....	324,000.00	20,000.00	10,000.00	294,000.00
Dec. 1, 1933, 4%.....	3,500,000.00	1,400,000.00	175,000.00	1,925,000.00
Total.....	<u>\$89,600,000.00</u>	<u>\$30,437,000.00</u>	<u>\$2,232,000.00</u>	<u>\$56,931,000.00</u>

**BOND INTEREST—\$1,218,256.25**

The composition of this liability is as follows:

Issue	Total	Due July 1, 1943	Matured, But Not Paid	Accrued, Not Due
July 1, 1910, 4½%.....	\$ 514,620.00	\$ 495,000.00	\$19,620.00	.....
January 1, 1925, 5%.....	165,975.00	162,500.00	3,475.00	.....
July 1, 1928, 4½%.....	482,490.00	472,500.00	9,990.00	.....
June 1, 1932:				
5¾%.....	36,455.00	.....	19,780.00	\$16,675.00
5%.....	7,141.67	.....	2,275.00	4,866.67
4½%.....	502.50	.....	112.50	390.00
4%.....	1,526.66	.....	660.00	866.66
3%.....	950.00	.....	465.00	485.00
2¾%.....	1,278.75	.....	605.00	673.75
Dec. 1, 1933, 4%.....	7,316.67	.....	900.00	6,416.67
Total.....	<u>\$1,218,256.25</u>	<u>\$1,130,000.00</u>	<u>\$57,882.50</u>	<u>\$30,373.75</u>

**CONTRACTS, PURCHASE ORDERS, AND  
OTHER COMMITMENTS—\$47,507.92**

These liabilities, which have been reconciled with the Controller's records, are as follows:

Classification	Total	Materials and Services Received	Commit- ments
Contracts and encumbrance requests.....	\$ 2,463.64	\$ 884.54	\$ 1,579.10
Purchase orders.....	23,418.73	7,487.48	15,931.25
Miscellaneous encumbrances.....	21,625.55	9,181.65	12,443.90
Total.....	<u>\$47,507.92</u>	<u>\$17,553.67</u>	<u>*\$29,954.25</u>

\*Classified on Exhibit A as a deferred charge.

**WARRANTS OUTSTANDING—\$57,377.27**

Following is a summary of the warrants outstanding as of June 30, 1943, which were verified by comparison with the records maintained in the Controller's office:

Fund	Amount
Operating.....	\$30,273.93
Reconstruction and replacement.....	97.34
Construction.....	27,006.00
Total.....	<u>\$57,377.27</u>

**SURPLUS—\$35,568,400.40**

The changes in the surplus accounts of the project during the year under review are reflected in the following summary:

Balance, June 30, 1942, per audit report.....\$34,889,326.21

Add:

Contributions from taxes for bond interest and redemption.....	\$1,263,799.85
Contributions through general fund from the San Francisco Water Department for bond interest and redemption.....	810,121.14
Contributions from the San Francisco Water Department.....	278,226.15
Adjustment of loss on retirement of Corral Hollow Pipe Line.....	8,587.19
Miscellaneous.....	1.00

Total additions..... 2,360,735.33

Total.....\$37,250,061.54

Deduct:

Net loss for the year, per Exhibit B.....	\$1,678,912.57
Adjustment of prior years' depreciation resulting from current year's plant retirements.....	2,748.57

Total deductions..... 1,681,661.14

Balance, June 30, 1943.....\$35,568,400.40

**CONTINGENT LIABILITIES**

According to information furnished to us by the City Attorney, the following contingent liabilities were in existence as of June 30, 1943, by reason of pending litigation or otherwise:

Relating to raising of the O'Shaughnessy Dam:

Claim of contractor, exclusive of interest and costs, in connection with which the plaintiff has made an application to the United States Supreme Court for the review of a decision rendered in favor of the City and County of San Francisco by the Circuit Court of Appeals.....	\$791,253.34
Patent infringement claim, in connection with which the Controller has withheld payment to the contractor of a like amount.....	20,000.00

Other:

Sales tax on equipment sold, claimed by the State of California....	4,418.17
United States Government, for maintenance of roads and trails for the fiscal years 1928 to 1939, inclusive.....	25,294.23

In addition to the above, there are several riparian and other law suits pending, the liabilities for which cannot be determined at the present time.

Yours truly,

JOHN F. FORBES & COMPANY

## EXHIBIT A

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT

BALANCE SHEET, JUNE 30, 1943

## ASSETS

## PROPERTIES (see comments):

Fixed capital in service.....\$105,674,430.78

Amazon and Glen Park reservoir sites (non-  
operative).....460,925.00

Total.....\$106,135,355.78

Less reserves for depreciation.....14,986,832.44

Remainder, depreciated value.....\$91,148,523.34

## CASH:

On deposit with treasurer.....\$ 2,661,503.69

Other.....8,529.03

Total cash.....2,670,032.72

ACCOUNTS RECEIVABLE.....210,689.45

## INTERFUND ACCOUNTS:

Public service enterprises.....\$ 8,161.87

General city and county.....18,775.09

Total interfund accounts.....26,936.96

## DEFERRED CHARGES:

Estimated salvage value—Corral Hollow Pipe  
Line.....\$ 199,965.21

Prepaid rent, etc.....79,021.69

Uncompleted contracts, purchase orders, and  
other commitments.....29,954.25

Materials and supplies.....21,990.36

Total deferred charges.....330,931.51

Total.....\$94,387,113.98

## EXHIBIT A

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**BALANCE SHEET, JUNE 30, 1943**

**LIABILITIES**

**BONDED DEBT:**

Due July 1, 1943.....	\$ 1,600,000.00	
Due December 1, 1943 to July 1, 1977.....	55,325,000.00	
Matured bonds not presented for payment.....	<u>6,000.00</u>	
Total bonded debt.....		\$56,931,000.00

**BOND INTEREST:**

Due July 1, 1943.....	\$ 1,130,000.00	
Matured coupons not presented for payment.....	57,882.50	
Accrued, not due.....	<u>30,373.75</u>	
Total bond interest.....		1,218,256.25

**ACCOUNTS PAYABLE:**

Contracts, purchase orders, and other commitments.....	\$ 47,507.92	
Warrants outstanding.....	57,377.27	
Rental due United States Government under the Raker Act.....	<u>30,000.00</u>	
Total accounts payable.....		134,885.19

**INTERFUND ACCOUNTS:**

Public service enterprises.....	\$ 59,486.77	
General city and county.....	<u>453,627.44</u>	
Total interfund accounts.....		513,114.21

**DEFERRED CREDITS:**

Operating reserves.....	\$ 15,214.03	
Advances for work not yet performed:		
San Francisco Water Department.....	5,047.46	
Municipal Railway.....	9.43	
Miscellaneous.....	<u>1,187.01</u>	
Total deferred credits.....		21,457.93

SURPLUS (see comments).....		35,568,400.40
Total.....		<u>\$94,387,113.98</u>

NOTE: See accompanying comments with respect to contingent liabilities.



## EXHIBIT B

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT

## STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 1943

## REVENUES:

## Power sales:

Moccasin Power House:	Total	Water Supply	Power
Through the Pacific Gas and Electric Company.....	\$7,991,469.80	.....	\$7,991,469.80
Less distribution commission.	5,838,967.40	.....	5,838,967.40
Remainder.....	\$2,152,502.40	.....	\$2,152,502.40
Aluminum Company of America	165,042.93	.....	165,042.93
Miscellaneous.....	176.37	.....	176.37
Total.....	\$2,317,721.70	.....	\$2,317,721.70

## Early intake power house:

Through the Pacific Gas and Electric Company.....	\$ 314,997.90	.....	\$ 314,997.90
Less distribution commission.	230,153.23	.....	230,153.23
Remainder.....	\$ 84,844.67	.....	\$ 84,844.67
Miscellaneous.....	1,495.15	.....	1,495.15
Total.....	\$ 86,339.82	.....	\$ 86,339.82

Total power sales.....	\$2,404,061.52		\$2,404,061.52
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Sale of waterpower to Hetch Hetchy Power Division (see contra).....		\$ 735,474.00	.....
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Standby charge and sale of water— San Francisco Water Department	661,277.00	661,277.00	.....
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Total operating revenues.....	\$3,065,338.52	\$1,396,751.00	\$2,404,061.52
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## Other revenues:

Rents.....	\$ 828.74	\$ 533.24	\$ 295.50
Meals.....	3,882.69	.....	3,882.69
Miscellaneous.....	1,683.79	659.80	1,023.99
Total.....	\$ 6,395.22	\$ 1,193.04	\$ 5,202.18

Total revenues (forward).....	\$3,071,733.74	\$1,397,944.04	\$2,409,263.70
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## EXHIBIT B

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT

## STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 1943

	Total	Water Supply	Power
TOTAL REVENUES—(Forward).....	\$3,071,733.74	\$1,397,944.04	\$2,409,263.70
EXPENSES:			
Purchase of water power from Hetch Hetchy Water Supply (see contra) .....			\$ 735,474.00
Production (Schedule 1).....	\$ 233,716.59	\$ 128,065.12	105,651.47
Transmission (Schedule 2).....	41,422.58		41,422.58
Administrative and general (Schedule 3).....	161,227.05	111,559.56	49,667.49
Protection of property, due to war conditions:			
Services of State Guard.....	\$17,398.55		
Guarding and pa- trolling against sabotage.....	15,691.94		
Miscellaneous ex- penses.....	414.51		
Total.....	33,505.00	16,752.50	16,752.50
Total expenses.....	\$ 469,871.22	\$ 256,377.18	\$ 948,968.04
NET INCOME BEFORE DEDUCT- ING BOND INTEREST, PROVI- SION FOR DEPRECIATION AND PROPERTY LOSSES.....	\$2,601,862.52	\$1,141,566.86	\$1,460,295.66
DEDUCT:			
Bond interest.....	\$2,643,714.38		
Provision for depreci- ation.....	1,576,429.92		
Loss on plant retire- ments.....	60,630.79		
Total.....	4,280,775.09		
NET LOSS TRANSFERRED TO SURPLUS.....	\$1,678,912.57		

NOTE: The agency contract with the Pacific Gas and Electric Company for the distribution of Hetch Hetchy power has been found by the United States Supreme Court to be in violation of the Raker Act. The effective date of the injunction to be issued has been extended to June 30, 1944. See accompanying comments for further details.

## EXHIBIT B

## SCHEDULE 1

## HETCH HETCHY WATER SUPPLY AND POWER PROJECT

## STATEMENT OF PRODUCTION EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 1943

OPERATION:	Total	Water Supply	Power
Superintendence.....	\$ 6,867.16	.....	\$ 6,867.16
Station labor.....	49,983.32	.....	49,983.32
Miscellaneous labor.....	32,501.50	\$ 25,404.26	7,097.24
Contributions to retirement system.....	3,695.56	973.69	2,721.87
Supplies and expenses.....	20,779.25	1,915.33	18,863.92
Total.....	<u>\$113,826.79</u>	<u>\$ 28,293.28</u>	<u>\$ 85,533.51</u>
MAINTENANCE:			
Buildings and structures.....	\$ 48,720.48	\$ 35,169.62	\$ 13,550.86
Reservoirs, dams, and intakes.....	3,953.77	3,953.77	.....
Waterways.....	1,061.76	1,061.76	.....
Pipelines.....	8,411.91	8,411.91	.....
Forebays, penstocks, and tailraces.....	1,052.24	.....	1,052.24
Roads and trails.....	21,195.95	21,195.95	.....
Aqueduct tunnels.....	3,003.11	3,003.11	.....
Hydraulic power plant equipment.....	5,388.83	.....	5,388.83
Miscellaneous equipment, etc.....	14,679.81	14,553.78	126.03
Automotive transportation equipment, less transportation charges distributed....	1,630.21	1,630.21	.....
Total.....	<u>\$109,098.07</u>	<u>\$ 88,980.11</u>	<u>\$ 20,117.96</u>
MISCELLANEOUS:			
Communication system.....	\$ 6,294.48	\$ 6,294.48	.....
Hydrography.....	4,497.25	4,497.25	.....
Total.....	<u>\$ 10,791.73</u>	<u>\$ 10,791.73</u>	<u>.....</u>
Total.....	<u>\$233,716.59</u>	<u>\$128,065.12</u>	<u>\$105,651.47</u>

## EXHIBIT B

## SCHEDULE 2

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF POWER TRANSMISSION EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1943**

**OPERATIONS:**

Superintendence.....	\$ 1,699.55	
Transmission line labor.....	14,541.58	
Transmission line supplies and expenses.....	1,422.23	
Substation labor.....	7,571.62	
Contributions to retirement system.....	916.02	
Total.....		\$26,151.00

**MAINTENANCE:**

Transmission structures.....	\$ 417.95	
Substation equipment.....	5,449.12	
Towers and fixtures.....	478.93	
Tower line conductors.....	699.42	
Poles and fixtures.....	7,153.75	
Pole line conductors.....	539.72	
Miscellaneous.....	502.69	
Total.....		15,241.58

MISCELLANEOUS—TRANSMISSION RENTS..... 30.00

Total..... \$41,422.58

## EXHIBIT B

## SCHEDULE 3

**HETCH HETCHY WATER SUPPLY AND POWER PROJECT**  
**STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1943**

	Total	Water Supply	Power
Salaries and wages.....	\$ 35,665.85	\$ 29,965.85	\$ 5,700.00
Contributions to retirement system.....	1,601.65	1,369.90	231.75
Services of other departments.....	32,452.71	5.94	32,446.77
Professional services.....	1,659.72	829.86	829.86
Stationery, office supplies, and postage.....	2,065.74	1,591.77	473.97
Telephone and telegraph.....	496.16	283.32	212.84
Traveling and other expenses.....	469.56	377.85	91.71
War risk insurance.....	9,420.30	397.76	9,022.54
Automobile insurance.....	1,088.54	883.91	204.63
Water rights and damage claims.....	29,628.78	29,628.78	.....
Legal expenses.....	2,140.96	1,834.44	306.52
Injuries and damages.....	207.52	151.82	55.70
Rent paid under Raker Act.....	30,000.00	30,000.00	.....
City, County, and irrigation district taxes....	14,043.61	14,043.61	.....
Miscellaneous.....	285.95	194.75	91.20
Total.....	<u>\$161,227.05</u>	<u>\$111,559.56</u>	<u>\$49,667.49</u>

# Municipal Railway of San Francisco

Report upon Examination of Financial Statements

For the Year Ended June 30, 1943

# LYBRAND, ROSS BROS. & MONTGOMERY

Accountants and Auditors

2 Pine Street

San Francisco

The Honorable Harold J. Boyd, Controller,  
City and County of San Francisco,  
San Francisco, California.

October 1, 1943

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by ordinance No. 9.0621 passed by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the MUNICIPAL RAILWAY OF SAN FRANCISCO as at June 30, 1943 and of the statements of income and surplus for the fiscal year then ended. In connection with our examination we reviewed the system of internal control and the accounting procedures of the Railway and, without making a detailed audit of the transactions, have examined or tested the accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

The consultant and statistician to the Grand Jury participated in the examination.

**Operations:** Operations for the year ended June 30, 1943 resulted in a net income of \$846,047.73, which was \$552,824.45 more than the net income for the preceding year.

The net income is stated before deduction of taxes that would have to be paid by a privately owned or operated utility, which is the subject of later comment.

A comparative summary (cents omitted) follows:

	Year Ended June 30,		Increase Decrease *
	1943	1942	
Passenger revenues:			
Electric rail cars.....	\$5,012,813	\$3,861,390	\$1,151,423
Motor and trolley coaches.....	559,120	428,848	130,272
Total passenger revenues.....	5,571,933	4,290,238	1,281,695
Advertising, rent, etc.....	45,435	45,158	277
Total operating revenues.....	5,617,368	4,335,396	1,281,972
Operating expenses.....	4,733,986	4,009,261	724,725
Profit from operations.....	883,382	326,135	557,247
Other income:			
Sales of scrap, interest, etc.....	14,749	24,171	9,422*
Profit before bond interest.....	898,131	350,306	547,825
Bond interest.....	52,083	57,083	5,000*
Net income.....	\$ 846,048	\$ 293,223	\$ 552,825
Car hours:			
Electric rail cars.....	974,048	870,057	103,991
Motor and trolley coaches.....	217,116	212,951	4,165
	1,191,164	1,083,008	108,156

## Operations per car hour:

	Year Ended June 30,		Increase
	1943	1942	
Passenger revenues.....	\$4.68	\$3.96	\$ .72
Advertising, rent, etc.....	.04	.04	....
Total operating revenues.....	4.72	4.00	.72
Operating expenses.....	3.98	3.70	.28
Profit from operations.....	\$ .74	\$ .30	\$ .44

It is interesting to note the upward trend of passenger revenues shown in the following summary:

	Year Ended June 30,		Increase
	1943	1942	
First quarter.....	\$1,242,593	\$1,011,118	\$ 231,475
Second quarter.....	1,373,842	1,045,765	328,077
Third quarter.....	1,432,493	1,075,799	356,694
Fourth quarter.....	1,523,005	1,157,556	365,449
	<u>\$5,571,933</u>	<u>\$4,290,238</u>	<u>\$1,281,695</u>

Operating expenses, including depreciation, increased from \$3.70 to \$3.97 per car hour, as follows:

	Year Ended June 30,	
	1943	1942
Maintenance:		
Way and structures.....	\$ .183	\$ .177
Equipment.....	.255	.250
Total maintenance.....	.438	.427
Power.....	.499	.493
Conducting transportation.....	2.174	1.947
Accident claims and expenses.....	.154	.152
Depreciation.....	.349	.380
General and miscellaneous.....	.360	.303
	<u>\$3.974</u>	<u>\$3.702</u>

The increase of 23 cents per car hour for conducting transportation resulted principally from wage increases for platform men and coach operators, as follows:

	Year Ended June 30,	
	1943	1942
Maximum hourly wage rates:		
Platform men.....	.87½	.75
Coach operators.....	.87½	.82½

On July 1, 1943 the following maximum hourly rates were established:

Platform men.....	.92½
Coach operators.....	.97½

Section 64 of the charter of the City and County of San Francisco requires that the accounts of the municipality owned utilities include estimates of the amount of taxes that would be payable if such utilities were privately owned and operated.

City franchise and property taxes for the year ended June 30, 1943, computed at rates comparable to those paid by the Market Street Railway Company, would approximate \$129,000 as follows:

Franchise tax.....	\$36,000
Property tax.....	93,000
	<u>\$129,000</u>



The franchise tax is computed at .6415 per cent of passenger and advertising revenues. The property tax is computed on the basis of 50 per cent of the depreciated value of fixed capital multiplied by the tax rate for the current year.

No estimate has been made for federal income, capital stock, excess profits, and pay roll taxes nor for state franchise and pay roll taxes. So many indeterminate factors enter into the computation of such taxes that accurate estimates are impracticable.

**Fixed Capital:** A summary of fixed capital for the year ended June 30, 1943 follows:

	Cost	Reserve for Depreciation
Balance, July 1, 1942.....	\$10,991,301.53	\$6,845,737.32
Capital additions.....	85,164.72	.....
Provision for depreciation.....	.....	415,961.68
	<hr/>	<hr/>
Less retirements.....	11,076,466.25	7,261,699.00
	85,867.18	70,463.55
	<hr/>	<hr/>
Balance, June 30, 1943.....	\$10,990,599.07	\$7,191,235.45
	<hr/>	<hr/>

The details of fixed capital are shown on page 129.

We examined the supporting documents covering the principal additions. The provision for depreciation has been based upon the estimated remaining useful life as determined by engineers for the Railway as of June 30, 1938 and is consistent with the basis for the preceding year.

As at June 30, 1943, the Municipal Railway was operating the following rolling stock:

Passenger:

Electric rail cars:	
New type.....	5
Old type.....	233
Trolley coaches.....	9
Motor coaches.....	41
	<hr/>
Total passenger.....	288

Service:

Work cars.....	2
Autos and trucks.....	21
	<hr/>
	23
	<hr/>
Total.....	311

It is proposed to replace the 21 electric rail cars now operating over the "E" line (Union Street) by the purchase of 10 trolley coaches as soon as a priority order for the purchase of the new equipment can be obtained from the United States government.

Section 128 of the charter provides that the public utilities commission shall make an appraisal of the property of each of the utilities during the fiscal year 1937-38, and at least every five years thereafter shall appraise these properties or revise the last preceding appraisal.

In accordance therewith an appraisal of the Municipal Railway property was made as at June 30, 1938, but no subsequent appraisal has been made, nor has the appraisal of June 30, 1938 been revised.

**Cash:** Cash on deposit with the treasurer was verified by the controller in accordance with Section 66 of the charter.

A summary of the cash balances follows:

On deposit with treasurer:

Operating fund.....	\$2,372,310.29
Reconstruction and replacement fund.....	446,439.71
Land purchase fund.....	22,300.00
Bond interest fund.....	5,797.50
Bond redemption fund.....	900.00
Surplus fund.....	1,236.98

	<u>2,848,984.48</u>
Revolving funds.....	6,500.00
	<u>\$2,855,484.48</u>

The foregoing amounts were in agreement with the treasurer's balance sheet. Revolving funds were verified by count and by communication with the depositaries. The revolving funds included expenditures of \$144.99 for which the controller has refused reimbursement.

**Deferred Charges:** A summary of the deferred charges follows:

Materials and supplies, less \$4,648.21 reserved for obsolescence...	\$273,851.28
Goods and services receivable under contracts, purchase orders, etc.....	304,680.47
Capital replacements in progress (track work) .....	7,349.21
Other.....	1,902.40
	<u>\$587,783.36</u>

Materials and supplies are stated at their book values. Physical inventories were taken at various dates throughout the year and the records adjusted thereto. We tested the prices, quantities, and arithmetical accuracy of the inventory which had been prepared from the stock records. The reserve of \$4,648.21 for obsolete items appears adequate.

**Bonds and Bond Interest:** A summary follows:

Bonded debt:

Issue of December 1, 1913, 5%, maturing \$100,000.00 annually to December 1, 1952.....	\$1,000,000.00
Matured bonds not presented for payment.....	900.00
	<u>\$1,000,900.00</u>

Bond interest:

Accrued interest for June, 1943.....	\$4,166.66
Matured coupons.....	5,797.50
	<u>\$9,964.16</u>

These liabilities were in agreement with the records of the controller.

**Reserve for Accident Claims:** An analysis of this account for the year ended June 30, 1943 is shown below:

Balance, July 1, 1942.....	\$ 92,089.98
Add, charges to operations:	
Three per cent of operating revenues.....	\$168,521.04
Additional provision.....	15,000.00
Total charges to operations.....	183,521.04
	<hr/>
	275,611.02
Deduct, claims and expenses paid:	
Personal injury claims.....	120,450.93
Property damage claims.....	10,097.69
Hospital, medical fees, etc.....	18,857.80
Administration and legal expenses.....	33,327.15
Total claims and expenses paid.....	182,733.57
	<hr/>
Balance, June 30, 1943.....	<u>\$ 92,877.45</u>

We examined the warrants, claims, and resolutions of the Public Utilities Commission in support of the claims and expenses paid.

We reviewed the claims outstanding as at June 30, 1943 with the claims adjuster, and, based upon past experience, we consider the reserve adequate.

We wish to express our appreciation for the courtesies extended to us by the officials and employees of the Municipal Railway.

Very truly yours,

LYBRAND, ROSS BROS. & MONTGOMERY.

MUNICIPAL RAILWAY OF SAN FRANCISCO  
BALANCE SHEET, June 30, 1943

ASSETS:		LIABILITIES:	
Fixed capital:		Bonded debt:	
Road and equipment.....	\$10,986,967.77	Issue of December 1, 1913, 5%, maturing \$100,000.00 annually to December 1, 1952.....	\$1,000,000.00
New construction in progress.....	3,631.30	Matured bonds not presented for payment.....	900.00
Less, reserve for depreciation.....	7,191,235.45	Bond interest payable:	
	\$3,799,363.62	Matured coupons not presented for payment.....	5,797.50
Cash:		Accrued, not due.....	4,166.66
On deposit with treasurer.....	2,848,984.48	Accounts payable:	
Revolving funds.....	6,500.00	Contracts, purchase orders, etc.:	
Accounts receivable.....	13,161.50	For materials and services received, \$ 43,350.91	
Less, reserve for uncollectible accounts.....	5,230.54	Commitments—contra.....	304,680.47
	7,930.96	Warrants outstanding.....	348,031.38
Interfund accounts receivable:		Interfund accounts payable:	
General city and county.....	778.18	General city and county.....	66,105.27
Other public service enterprises.....	1,853.16	Other public service enterprises.....	4,151.20
Deferred charges:		Reserve for accident claims.....	92,877.45
Materials and supplies.....	278,499.49	Total liabilities.....	1,703,026.80
Less, reserve for obsolescence.....	4,648.21		
Capital replacements in progress.....	7,349.21		
Commitments—contra (goods and services receivable under contracts, purchase orders, etc.)....	304,680.47		
Other deferred charges.....	1,902.40		
	587,783.36		
	\$7,253,193.76		
		Contributed surplus (no change during year).....	\$1,580,606.28
		Earned surplus:	
		Balance, July 1, 1942.....	\$3,123,512.95
		Net income for fiscal year ended June 30, 1943, details annexed.....	846,047.75
		Balance, June 30, 1943.....	3,969,560.68
			5,550,166.96
			\$7,253,193.76



## MUNICIPAL RAILWAY OF SAN FRANCISCO

## INCOME STATEMENT

For the years ended June 30, 1943 and 1942

	Year Ended June 30, 1943	1942	Increase Decrease *
Operating revenues:			
Passenger.....	\$5,571,933.07	\$4,290,238.17	\$1,281,694.90
Advertising.....	28,341.49	25,572.93	2,768.56
Rent.....	10,761.97	11,289.07	527.10*
Other.....	6,331.59	8,295.73	1,964.14*
	<u>5,617,368.12</u>	<u>4,335,395.90</u>	<u>1,281,972.22</u>
Operating expenses:			
Maintenance:			
Way and structures.....	217,987.90	192,125.11	25,862.79
Equipment.....	303,566.45	270,068.98	33,497.47
Total maintenance.....	521,554.35	462,194.09	59,360.26
Power.....	594,861.35	534,332.62	60,528.73
Conducting transportation.....	2,589,759.06	2,108,434.38	481,324.68
Accident claims and expenses.....	183,521.04	165,117.38	18,403.66
Depreciation.....	415,961.68	411,234.86	4,726.82
General and miscellaneous.....	428,328.43	327,947.70	100,380.73
	<u>4,733,985.91</u>	<u>4,009,261.03</u>	<u>724,724.88</u>
Profit from operations....	883,382.21	326,134.87	557,247.34
Other income:			
Sales of scrap, etc.....	11,512.76	12,022.90	510.14*
Interest on bank deposits.....	3,236.09	2,844.09	392.00
Refund from Public Utilities Com- mission.....		9,304.75	9,304.75*
Profit before bond interest	898,131.06	350,306.61	547,824.45
Bond interest.....	52,083.33	57,083.33	5,000.00*
Net income.....	<u>\$ 846,047.73</u>	<u>\$ 293,223.28</u>	<u>\$ 552,824.45</u>
Comparison charges for taxes as re- quired by Section 64 of the charter: City franchise and property taxes, computed at rates comparable to those paid by the Market Street Railway Company....	<u>\$ 129,000.00</u>	<u>\$ 116,000.00</u>	

No estimate has been made for federal income, capital stock, excess profits, and pay roll taxes nor for state franchise and pay roll taxes. So many indeterminate factors enter into the computation of such taxes that accurate estimates are impracticable.



## FIXED CAPITAL

For the Year Ended June 30, 1943

ROAD AND EQUIPMENT		RESERVE FOR DEPRECIATION		Way and structures:	
Balance June 30, 1943	Retirements	Balance July 1, 1942	Provision	Retirements	Balance June 30, 1943
\$169,839.07					
294,641.36					
\$18,46.97					
\$18,46.97					
361,679.16					
184,584.06					
13,933.27					
7,666.04					
691.09					
199,088.53					
158,116.16					
35,595.63					
3,372.27					
731,421.80					
248,406.43					
17,545.31					
13,478.86					
1,005,624.14					
48,775.94					
13,478.86					
1,040,921.22					
18,189.20					
14,987.49					
528.98					
14,458.51					
4,660.85					
1,992.91					
14,875.28					
937.89					
6,010.80					
148.77					
156,735.27					
392.53					
7,191.11					
149,936.69					
119.40					
440.58					
304,612.49					
157,032.80					
874,778.44					
1,062,450.24					
51,975.35					
7,675,041.25					
85,867.18					
74,786.46					
7,686,121.97					
49,526.73					
1,059,399.52					
873,865.23					
8,437.92					
3,178.22					
2,448.62					
85,867.18					
82,710.35					
82,710.35					
1,664,407.86					
117,387.90					
400,276.49					
1,447.85					
36,160.65					
36,734.68					
4,150.11					
11,071.11					
866,541.51					
46,385.54					
42,272.32					
1,651.18					
7,978.11					
3,311,926.52					
2,344,703.34					
171,027.36					
2,515,730.70					
12,173.40					
1,423,458.10					
15,481.89					
216,590.84					
24,800.50					
1,048.28					
23,752.22					
165,839.50					
401,724.34					
117,387.90					
1,358,264.12					
7,653.69					
7,828.20					
50,751.34					
3,559.37					
26,125.19					
9,178.46					
718,237.74					
39,751.43					
29,933.15					
3,303,948.41					
1,231.15					
2,400.15					
3,311,926.52					
3,631.30					
\$10,990,599.07					
\$6,845,737.32					
\$415,961.68					
\$70,463.55					
\$7,191,235.45					
Electric rail cars—new type					
Electric rail cars—old type					
Trolley coaches					
Motor coaches					
Fare boxes					
Service equipment—automotive					
Service equipment—electric					
Electric equipment—cars					
Shop equipment					
Office equipment					
Construction in progress					
Total fixed capital					

Per Cent  
of Cost  
Subject to  
Depreciation

Estimated  
Useful  
Life  
(Years)





# Airport Department

San Francisco Airport—San Mateo County

Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1943

## CITY AND COUNTY OF SAN FRANCISCO

Office of the Controller

September 15, 1943

Mr. Harold J. Boyd, Controller

City and County of San Francisco

## AIRPORT DEPARTMENT

## SAN FRANCISCO AIRPORT—SAN MATEO COUNTY

## Examination of Accounts for the Year Ended June 30, 1943

Dear Sir:

Under your direction and pursuant to the provision of Charter Section 66, an examination has been made of the accounts of the San Francisco Airport, San Mateo County, for the year ended June 30, 1943. Mr. David F. Supple, Consultant and Statistician to the Grand Jury, participated.

The following schedules based on this examination are submitted herewith:

Exhibit A—Balance Sheet, June 30, 1943.

Exhibit B—Comparative Statement of Revenues and Expenses for the years ended June 30, 1943 and June 30, 1942.

Exhibit C—Surplus Account, Fiscal year ended June 30, 1943.

The examination was limited to the verification of assets and liabilities as of June 30, 1943, and an analytical review and test check of the revenues and expenses of the fiscal year ended as of that date. A general review of the accounting methods was made and the accounting records and other supporting evidence were examined or tested in a manner and to the extent considered appropriate in view of the system of internal accounting control. Verification of the property accounts was limited to a review of the recorded additions and retirements during the year. Reference is made to the comment in our report for the fiscal year 1941-1942 relative to property classified as under construction whereas nearly all of it should be classified as in service. During the fiscal year 1942-1943 the engineering study commenced in the year 1941-1942 and still in progress at the date of this report developed in its final form the information required for the proper classification of property acquired and/or constructed out of the 1938 Airport Bond Fund, as at June 30, 1943, the airport records reflect such proper classification and an adjustment with respect to the bond interest and premiums applicable thereto. However, consideration has not been given to an estimate of such depreciation as had accrued to June 30, 1943, in relation to said bond fund expenditures. The subject of the engineering study continued beyond the date of this report and not as yet accounted on the airport records are the values attaching to additions to property through Federal or other aid. Upon completion of the study above mentioned and approval of it by the Public Utilities Commission further adjustments must be made in the accounts for fixed capital, reserve for depreciation, income and surplus.

The Public Utilities Commission has not complied with the requirements for the fiscal year 1942-1943 under the provisions of Section 128 of the Charter.

The income account for the fiscal year 1942-1943, subject to the comments above as they affect the income account, shows a net loss of \$115,712.46 transferred to surplus. Said loss compares with \$124,639.63 for the preceding fiscal year. As stated in our report for 1941-1942, all civilian aviation activity, other than regu-

larly scheduled commercial transport flights, was discontinued following an order to do so from the United States Army Air Forces, Fourth Interceptor Command. Such order is still in effect.

Detailed findings and comments resulting from this examination are submitted separately.

The foregoing comments and accompanying exhibits relate to the airport in San Mateo County exclusively. Because the records of the San Francisco Airport Department as a whole and the report of audit of the Controller's records at June 30, 1943, by Ernst and Ernst contain references to the airport on Treasure Island, the following summary of transactions recorded as being related to Treasure Island has been developed and is here presented without comment for purposes of reconciliation only:

Fixed Capital, contributions.....			\$12,484,976.34
Cash, June 30, 1942.....			\$4,388.13
Received 1942-1943 from			
Emergency Reserve Fund, \$10,000			
Airport Oper. Fund.....	3,000	13,000.00	\$17,388.13
Transactions in Connection			
with Condemnation Pro-			
ceedings Expenses.....		8,061.47	
Advance to Angelo J. Rossi,			
Mayor.....		2,250.00	10,311.47
Balance, June 30, 1943.....			7,076.66
Outstanding encumbrances, related to Condemnation Pro-			
ceedings.....			\$50.00
Liability on account of unearned rentals collected in fiscal			
year 1941-1942.....			521.70

Respectfully submitted,

WILLIS O'BRIEN,

Supervisor, Utility Audits.



Exhibit C Annexed.



## EXHIBIT B

## AIRPORT DEPARTMENT

## SAN FRANCISCO AIRPORT—SAN MATEO COUNTY

## COMPARATIVE STATEMENT OF REVENUES AND EXPENSE

Fiscal Years Ended June 30, 1943 and June 30, 1942

OPERATING REVENUES:	June 30, 1943	June 30, 1942
Landing Charges.....	\$ 16,375.00	\$ 18,692.50
Rentals:		
Hangar.....	\$ 2,163.00	\$ 8,347.51
Shop.....	859.50	1,082.00
Garage.....		60.00
Office.....	3,914.21	4,441.56
Restaurant.....	7,784.65	5,084.52
Land.....	2,400.00	2,409.46
United Air Lines Transport Corporation.....	6,500.00	2,011.91
Locker.....		49.50
Total Rentals.....	\$ 23,621.36	\$ 23,486.46
Miscellaneous:		
Gasoline Sales Commissions.....		\$ 594.88
Telephone Commissions.....	\$ 1,137.24	683.81
Telegraph Agency Commissions.....	1,644.85	1,451.90
Total Miscellaneous.....	\$ 2,782.09	\$ 2,730.59
Total Operating Revenues.....	\$ 42,778.45	\$ 44,909.55



## OPERATING EXPENSES:

Operation:	June 30, 1943	June 30, 1942
Salaries and Wages.....	\$ 42,418.07	\$ 55,783.58
Gas and Electricity.....	6,331.08	7,621.38
Telephone, Telegraph and Postage.....	3,488.57	3,228.70
Materials and Supplies.....	4,903.29	5,017.93
Provision for Bad Accounts.....	300.00	300.00
Travel.....	3,366.58	4,748.12
Insurance.....	5,339.59	1,328.03
Miscellaneous Contractual Service.....	834.64	742.23
Taxes.....	3,952.41	4,496.45
Services of Bureau of Engineering.....	806.72	707.89
Contributions to Retirement System.....	1,659.02	2,134.86
Miscellaneous.....	7.33	.62
National Emergency Defense.....	432.44	1,288.31
Total Operation.....	\$ 73,839.74	\$ 87,398.10
Maintenance and Repairs:		
Buildings and Structures.....	\$ 2,365.12	\$ 1,051.76
Runways.....	2,243.25	.....
Automobiles and Motoreycles.....	2,351.67	1,401.45
Miscellaneous Equipment.....	671.89	1,055.00
Total Maintenance and Repairs.....	\$ 7,631.93	\$ 3,508.21
Provision for Depreciation.....	\$ 57,589.65	\$ 57,312.17
Loss on Retirements.....	\$ 15.81	\$ 1,059.89
Total Operating Expenses.....	\$139,077.13	\$149,278.37
Operating Loss.....	\$ 96,298.68	\$104,368.82
Other Income:		
Re-Sale of Electric Energy.....	\$ 26,319.03	\$ 9,329.97
Less cost thereof.....	17,262.00	4,842.76
Remainder.....	\$ 9,057.03	\$ 4,487.21
Other.....	918.36	399.87
Total Other Income.....	\$ 9,975.39	\$ 4,887.08
Net Loss: Before Bond Interest.....	\$ 86,323.29	\$ 99,481.74
Bond Interest.....	29,389.17	25,157.89*
Net Loss.....	\$115,712.46	\$124,639.63

\*The amount for 1941-1942 is included in the charge to surplus in 1942-1943 adjusting the bond interest and premiums previously capitalized.

## EXHIBIT C

## AIRPORT DEPARTMENT

## SAN FRANCISCO AIRPORT—SAN MATEO COUNTY

## SURPLUS

## Fiscal Year Ended June 30, 1943

Surplus, June 30, 1942, Annual Report of Controller.....	\$3,319,281.39
--	----------------

**Add:**

Reduction in Reserve for Bad Accounts.....	\$ 200.00
--	-----------

## Contributions from:

Taxes, for operation and bond service.....	377,329.44
--	------------

Emergency Reserve Fund; for War Damage Ins...	2,500.00
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United Air Lines Transport Corp'n; for const....	455,882.04
--	------------

United States Coast Guard; for construction....	15,920.50
---	-----------

	<u>851,831.98</u>
--	-------------------

	<u>\$4,171,113.37</u>
--	-----------------------

**Deduct:**

Adjustment for bond interest and premiums for fiscal years 1937-1938 to 1941-1942, inclusive, which had been capitalized.....	68,649.57
---	-----------

Ins. Premiums for period May 8 to June 30, 1942....	213.66
---	--------

Contributions for Treasure Island litigation.....	13,000.00
---	-----------

Net loss, fiscal year 1942-1943—Exhibit "B".....	115,712.46
--	------------

	<u>\$ 197,575.69</u>
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Surplus, June 30, 1943....	<u><u>\$3,973,537.68</u></u>
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San Francisco School Department  
(A Unified School District)

Report on Examination of Accounts  
For the Fiscal Year Ended June 30, 1943

# BENJAMIN H. HICKLIN

Certified Public Accountant

844 Russ Building

San Francisco

October 14, 1943

Honorable Harold J. Boyd, Controller,  
City and County of San Francisco,  
San Francisco, California.

Dear Sir:

According to the terms of our engagement, we have examined the accounts of the School Department of the City and County of San Francisco (such Department constituting the San Francisco Unified School District) for the fiscal year ended June 30, 1943.

Our examination comprised a general verification of the records of the School Department relating to the assets and liabilities as of June 30, 1943, a review of the accounting procedures and methods of internal control, analysis of certain accounts maintained by the School Department, tests and verifications of certain items of revenues and expenditures during the year and a reconciliation of the fund balances as maintained on the School Department records with the fund balances maintained on the records in your office.

The items relating to fixed capital properties, bonded debt and bond interest, appearing in Exhibit A, the Proprietary Balance Sheet, are based upon the accounts maintained in your office, which have been made the subject of an independent examination.

Mr. David F. Supple, consultant to the Grand Jury, participated in our examination.

There are presented herewith for your consideration:

EXHIBIT A PROPRIETARY BALANCE SHEET—JUNE 30, 1943.

EXHIBIT B RECONCILEMENT OF PROPRIETARY BALANCE SHEET  
WITH FUNDS BALANCE SHEET AS OF JUNE 30, 1943.

EXHIBIT C FUNDS BALANCE SHEET—JUNE 30, 1943.

EXHIBIT D STATEMENT OF SURPLUS ACCOUNTS  
For the fiscal year ended June 30, 1943.

EXHIBIT E STATEMENT OF REVENUES AND EXPENDITURES  
For the fiscal years ended June 30, 1943 and June 30, 1942.

SCHEDULE 1 ANALYSIS OF EXPENDITURES  
For the fiscal years ended June 30, 1943 and June 30, 1942.

Explanatory comments relative to the exhibits and schedule noted above follow:

## PROPRIETARY BALANCE SHEET — EXHIBIT A

Fixed Capital Properties \$51,704,050.18 is the aggregate ledger valuation of all School Department property as shown on the Controller's record as of June 30, 1943. The amount shown on the Controller's record as of June 30, 1943 is stated to represent the appraised value of the properties acquired without cost or acquired prior to the time when costs were accurately recorded, together with original costs of new buildings and additions since the time when accurate records have been maintained. In accordance with the established policy of the City, no deductions for depreciation of the properties have been recorded.

The School Department maintains a separate property ledger and equipment ledger showing the details of the cost of the various individual properties, but these records are not in agreement with the accounts of the Controller, principally due to the inclusion in the Controller's accounts of the appraised values of properties when the Controller's accounts were originally established. It was reported to us that it is customary for the Controller to record abandonments and losses on sales of properties, in the fiscal year following the abandonment or sale of such properties. It is suggested that all future entries in the proprietary records of the

School Department maintained in your office be made within the same month as corresponding entries are made in the records maintained by the School Department.

We reviewed the proprietary records in the School Department and satisfied ourselves that the recorded charges for capital outlays and the deductions for properties sold or discarded were properly entered. Thereafter we compared the aggregate of such additions with the Controller's record of additions.

The net increase in these assets during the fiscal year under review, per the Controller's records, was \$140,806.88, which is reconciled with the net capital outlays shown in the School Department records, \$139,433.79, as follows:

Net Capital Outlays per School Department records.....	\$139,433.79	
Total per Statement of Revenues and Expenditures—		
Exhibit E.....	\$165,259.79	
Less Property sold or discarded—net.....	25,826.00	
Additions by Controller not entered by School Department in the fiscal year ended June 30, 1943—net.....		1,373.09
Land.....	\$ 190.32	
Structures.....	11,723.21	
Equipment.....	10,540.44*	
Net increase in Fixed Capital Properties for the fiscal year ended June 30, 1943, per Controller's records.....		\$140,806.88

We obtained an independent verification of the existence, at June 30, 1943, of fire insurance aggregating \$32,100,000.00 covering all the property of the School Department in the City and County of San Francisco. It was reported that this insurance had been placed with 50 insurance companies in accordance with the provisions of a contract effective June 30, 1943.

Cash \$2,885,837.52 comprised the aggregate of School Fund balances on deposit with the Treasurer, \$2,885,437.52, and Revolving Funds aggregating \$400.00. We verified the Treasurer's fund balances by reference to a report of an audit of his records made under your supervision. We reconciled the balances shown in said report with the balances shown on the ledger of the School Department as follows:

FUNDS	School Department Balances	Warrants Outstanding and Other Reconciling Items	Treasurer's Balances
Current Funds.....	\$1,892,834.18	\$868,537.49	\$2,761,371.67
Bond Interest:			
5 % 1908.....		100.00	100.00
4½% 1918.....		4,342.50	4,342.50
5 % 1923.....		10,950.00	10,950.00
1¾% 1938.....		437.50	437.50
Bond Redemption:			
4½% 1918.....		5,000.00	5,000.00
5 % 1923.....		14,000.00	14,000.00
Totals.....	\$1,892,834.18	\$903,367.49	\$2,796,201.67
Special and Trust Funds:			
School Teachers' Sabbatical Leave.....	4,456.76	2,275.94	6,732.70
School Teachers' Permanent (Retirement).....		13,211.40	13,211.40
School Teachers' Annuity.....		418.85	418.85
U. S. Tax withheld from Employees..		68,872.90	68,872.90
Total Special and Trust Funds.....	\$ 4,456.76	\$ 84,779.09	\$ 89,235.85
Totals—All Funds.....	\$1,897,290.94	\$988,146.58	\$2,885,437.52

\*Indicates red figures.

The warrants outstanding and other reconciling items as shown above are summarized as follows:

Warrants Outstanding.....	\$877,673.33
Current Funds.....	\$868,472.51
Special and Trust Funds.....	9,200.82
Matured bonds not paid by Treasurer.....	19,000.00
Matured coupons not paid by Treasurer.....	15,830.00
U. S. taxes withheld from employees and in Treasury at June 30, 1943 but not recorded as an asset on School Department records.....	68,872.90
Trust Funds in Treasury but not recorded by School Department at June 30, 1943.....	6,705.37
Expenditures recorded by School Department in June 1943, but not en- tered by Controller at June 30, 1943.....	190.41
Total.....	\$988,272.01
Less cancellation of salary warrants not recorded by Controller at June 30, 1943.....	125.43
Net Reconciliation between School Department Balances and Treas- urer's Balances as of June 30, 1943.....	\$988,146.58

Revolving funds aggregating \$400.00 were verified by count of cash on hand and confirmation of balances on deposit in banks. We examined the vouchers evidencing the disbursements from these funds during the fiscal year under review and found that all the disbursements were in order.

**Accounts Receivable \$122,003.15** represents the ledger balances less reserves for uncollectible items, summarized as follows:

Uncollected Taxes, Penalties and Costs—secured by real estate.....	\$122,003.15
Taxes of fiscal year ended June 30, 1943.....	\$ 37,399.65
Taxes of prior fiscal years.....	81,505.56
Penalties and Costs.....	3,097.94
Uncollected Taxes, Penalties and Costs—not secured.....	Nil
Taxes of fiscal year ended June 30, 1943.....	14,072.91
Taxes of prior fiscal years.....	144,485.42
Total.....	\$158,558.33
Less Reserve for unsecured taxes.....	158,558.33
Other Accounts Receivable.....	Nil
Subvention for National Defense instruction, represent- ing reimbursements due for expenditures therefor.....	\$103,340.40
Salary repayments billed teachers.....	1,291.79
Rental.....	60.00
Total Other Accounts Receivable.....	\$104,692.19
Less Reserves for uncollectible items.....	104,692.19
Net Ledger Balance as of June 30, 1943—To Exhibit A.....	\$122,003.15

The taxes receivable as shown above were confirmed by reference to the records of the Controller.

Subvention for National Defense instruction, \$103,340.40, was accrued prior to June 30, 1943 as a charge against the Federal Government and was reported to be fully collectible. However, this and similar items have not been recorded as revenue of the School Department prior to June 30, 1943.

The School Department continued the policy of billing teachers for salary over-payments, as determined by litigation, only in the instances when such teachers left the service of the Department. Accordingly, \$1,291.79 represents the over-payments prior to July, 1932 to teachers who had left the service.

The San Francisco School District furnishes instruction to students from other California counties and charges the other counties with such tuition. It is the practice not to account these charges on the ledger when billed, but to account for the amounts as revenue when actually received from the outside counties.

All of the amounts billed for the fiscal year ended June 30, 1942 were collected prior to June 30, 1943. The aggregate of the charges for tuition billed for the fiscal year ended June 30, 1943 was \$60,475.69.

**Interfund Accounts Receivable \$7,100.00** represents an advance of \$5,000.00 made to the Department of Public Works for the purpose of providing that Department with a working balance for the purchase of supplies to be used in maintenance work for the School Department, together with \$2,100.00 advanced for the Office of Civilian Defense, etc.

**Deferred Charges \$369,153.64** comprised the items listed in Exhibit A.

Stores, \$181,021.70 represents the ledger balance of supplies on hand not distributed to schools, at cost, but excludes supplies distributed to schools prior to June 30, 1943, which remained on hand at the schools on that date. A physical inventory of stores was taken by the employees of the School Department on April 12, 1943. That inventory developed certain overages and shortages of a minor character and resulted in a net overage of \$7,366.27. The ledger accounts as of that date were adjusted to correspond therewith. A substantial portion of this overage is due to the increased cost of supplies purchased during the past fiscal year over the cost of purchases prior to that date.

We reviewed the physical inventory record and procedures, tested pricings, tested computations and footings of the inventory in order to satisfy ourselves of its substantial accuracy. On August 25, 1943, we called at the General Storeroom at 1440 Harrison Street, San Francisco, and made a physical count of certain items there. The result of our count was compared with the ledger record of such items and the count substantially verified the ledger balance at that time.

Shop inventory, \$9,990.94 represented the cost of materials in the shop and the cost of refinishing furniture in process of completion or completed and not distributed to schools at June 30, 1943.

Other supplies, \$25,701.91 was the cost of supplies purchased prior to June 30, 1943 for use after that date.

Unexpired insurance, \$488.43 was the unearned premium on boiler insurance, \$169.17, and other unexpired insurance not involved in the major insurance policies which expired on June 30, 1943.

Bond interest accrued—not due, \$126,977.91 was the amount of interest accrued as of June 30, 1943 from the date of the last matured coupons on School Department issues of the City and County of San Francisco.

Interdepartmental work orders, \$584.82 represents charges for work done on behalf of the Civilian Defense Council.

Unadjusted items—credit \$64.98 represents pay roll items in process of adjustment and gasoline and oil requisitioned, but not recorded by the Controller at June 30, 1943.

Excess of School Department expenditures over Controller's net outlay for capital, \$24,452.91 is the difference between capital expenditures as recorded by the School Department and capital outlays as entered in the records of the Controller. This difference should be eliminated by entries to be made by the Controller after June 30, 1943.

**Bonded Debt \$9,199,000.00** is the aggregate of School bonds outstanding at June 30, 1943, as shown by the records of the Controller, segregated as follows:

Principal Outstanding

Year of Issue	Interest Rate	Total	Matured	Due within One Year	Due after One Year
1918	4½%	\$ 5,000.00	\$ 5,000.00	Nil	Nil
1923	5 %	7,214,000.00	14,000.00	\$300,000.00	\$6,900,000.00
1934	3 %	300,000.00	.....	300,000.00	Nil
1938	2 %	648,000.00	.....	216,000.00	432,000.00
1938	1¾%	647,000.00	.....	Nil	647,000.00
1938	1½%	256,000.00	.....	64,000.00	192,000.00
1938	1¼%	129,000.00	.....	Nil	129,000.00
		<u>\$9,199,000.00</u>	<u>\$19,000.00</u>	<u>\$880,000.00</u>	<u>\$8,300,000.00</u>



On December 1, 1946, \$216,000.00 of the 1938—1 $\frac{3}{4}$ % bonds mature, and on December 1, 1947, \$64,000.00 of the 1938—1 $\frac{1}{4}$ % bonds mature. Bonded debt was reduced \$873,000.00 by redemptions during the fiscal year ended June 30, 1943.

**Bond Interest Payable \$142,807.91** comprised coupons matured prior to July 1, 1943, coupons maturing on July 1, 1943 and interest accrued from the last coupon date to June 30, 1943 on the outstanding School bonds of the City and County of San Francisco.

**Accounts Payable \$1,241,039.69** represents warrants outstanding against current funds and amounts due to trade creditors on purchase orders outstanding for which warrants have not been drawn prior to July 1, 1943, together with U. S. taxes withheld from employees of the School Department, \$68,872.90.

Contingent liabilities are commented upon in this report after the comments on surplus.

**Interfund Accounts Payable \$390,568.80.** We verified the Interfund accounts payable by reference to the records maintained in your Department and have summarized the balances on Exhibit A.

**Special and Trust Funds \$11,162.13** represents the balances available in certain special and trust funds, as summarized on Exhibit A.

**Surplus—Excess of Assets Over Liabilities \$44,103,565.96** comprises the balances of Current Surplus and Capital Surplus represented by Net Assets, as follows:

	Current Accounts	Capital Accounts
Cash.....	\$2,874,675.39	
Less matured bonds, interest currently due and accounts payable.....	1,666,438.49	
Balance—Available cash.....	\$1,208,236.90	
Fixed capital properties.....		\$51,704,050.18
Less Bonded Debt due after June 30, 1943.....		*9,180,000.00
Taxes receivable.....	122,003.15	
Stores and shop work.....	216,714.55	
Unexpired insurance.....	488.43	
Interfund accounts receivable.....	7,100.00	
Interdepartmental work orders.....	584.82	
Unadjusted items at June 30, 1943—net.....	*64.98	24,452.91
Balances as of June 30, 1943—per Exhibit D.....	<u>\$1,555,062.87</u>	<u>\$42,548,503.09</u>

The Current Surplus and Capital Surplus at June 30, 1942 and at June 30, 1943 are reconciled on Exhibit D.

However the Current Surplus may be reduced by contingent liabilities as follows:

- 1—Test case pending before the District Court of Appeals involving possible judgments aggregating \$300,000.00, which is expected to be terminated prior to June 30, 1944.
- 2— Pending suits for vacation salaries involving possible judgments aggregating \$500,000.00.
- 3— Suits for injuries to students involving liabilities aggregating not in excess of \$20,000.00.

Judgment has been entered against the Unified School District for approximately \$41,000.00; interest at the rate of 7% per annum has been running for approximately 2 $\frac{1}{2}$  years on this judgment. There are 189 separate cases that are involved, appeals in all of which have been taken to the District Court of Appeals. Counsel for both sides have filed briefs and at June 30, 1943 were ready to proceed with the oral argument before the Court. If all the teachers are wholly successful in their appeals, judgments could be entered against the District for approximately \$300,000.00. If the Board of Education is wholly successful in its appeal, the \$41,000.00 judgment would be wiped out. If the Appellate Court sustains the judgment of the Superior Court, the \$41,000.00 would stand. The District's attorney advised that this case should reach final adjudication prior to June 30, 1944.

\* Indicates red figures.

At the present time, pursuant to Court Order, a certified public accountant has been appointed as a referee for the purpose of reviewing the teachers' salary accounts affecting approximately 3,000 teachers. This group of suits is for alleged sums due for withheld vacation salaries. The litigants claim that approximately \$500,000.00 is owing with interest since 1930. The School District claims that there is no money owing. It is impossible to give any estimate as to the liability between these two extremes. The District's attorney advised that the final adjudication of this matter probably will not be obtained during the fiscal year ending June 30, 1944.

There are a number of suits pending at the present time involving injuries to students. The District's attorney advised that, in his opinion, \$20,000.00 would be ample to meet the entire liability which may arise out of these actions during the fiscal year ending June 30, 1944.

#### STATEMENT OF REVENUES AND EXPENDITURES—EXHIBIT E

All revenues from taxes and other sources were verified by comparison of Treasurer's duplicate receipts with the ledger postings to the respective revenue accounts for the fiscal year ended June 30, 1943.

A comparative statement of Revenues, Operating Expenditures and Capital Expenditures for the fiscal years ended June 30, 1943 and June 30, 1942 is presented in Exhibit E of this report. The following is a summary thereof for the fiscal year ended June 30, 1943:

Total Revenues.....	\$12,076,160.54
Less Total Operating Expenditures.....	11,243,187.89
Balance—Excess of Revenues over Operating Expenditures.....	\$ 832,972.65
Less Net Capital Outlays from Revenues.....	165,259.79
Balance—Net Excess of Revenues credited to Surplus.....	\$ 667,712.86

We tested the computation of average daily attendance reported by the School Department to the State Superintendent of Schools, which is the basis for the apportionment of State Funds for Elementary Schools and for High Schools. We also tested the reports of the school principals of the average daily attendance computed for their respective schools for the fiscal year ended June 30, 1943 and all items tested appeared to have been correctly computed.

We examined the duplicates of all bills rendered for tuition chargeable to other Counties and for physically handicapped children, covering instruction furnished during the fiscal year ended June 30, 1942. The following is a summary of these charges:

Tuition billed for students from other counties.....	\$123,241.55
Tuition billed for physically handicapped children.....	646.99
Total charged as of July 1, 1942.....	\$123,888.54
Add balance due from Amador County July 1, 1941.....	277.92
Total—collected during fiscal year ended June 30, 1943.....	\$124,166.46

The charges for instruction furnished during the fiscal year ended June 30, 1943 were computed and billed after June 30, 1943 and the collections therefrom will be accounted as revenue of the fiscal year ending June 30, 1944.

We examined monthly statements from the City Real Estate Department furnished by Mr. Joseph J. Phillips, accounting for all rentals received from school properties and compared the amounts shown thereon with the deposits with the Treasurer to the credit of the School Department. At June 30, 1943 there was an uncollected rent of \$60.00 due for the months of April 1943, May 1943 and June 1943 and this amount is included in accounts receivable on Exhibit A.

Other receipts aggregating \$2,305.60 comprised:

Library fines .....	\$1,406.00
Certificate fees .....	688.00
Adult fees .....	179.00
Sale of scrap metal .....	32.60
	<hr/>
	\$2,305.60
	<hr/>

We reviewed the methods and procedures employed by the School Department in accounting purchase orders and the corresponding encumbrance of appropriation balances. Thereafter, we reviewed the methods and procedures of accounting invoices and converting the encumbrances into expenditures, so that the actual disbursements were recorded on the general ledger of the School Department as soon as the warrant in payment thereof had been issued. The procedure for approval of purchase orders, approval of invoices and approval of warrants by the School Department and the Controller's office furnished an internal check at the time of issuance of the warrants to justify our acceptance of these disbursements as properly authorized and expended.

The largest expenditure of School Funds is made for the salaries of teachers, maintenance and clerical staff. For the month of June 1943 we examined all pay rolls and compared all earnings shown thereon with the individual record card of each employee and found every item examined correctly recorded. Thereafter, certain individual warrants were selected and traced through the Treasurer's file of paid warrants to satisfy ourselves that the amounts earned had been paid to the respective individual employees. Every warrant called for was presented for our inspection and appeared to be in order.

#### FUNDS BALANCE SHEET—EXHIBIT C

The items shown on Exhibit C are in agreement with the records of the Controller and are in agreement with his annual report.

Exhibit B is a reconciliation of the amounts shown on the Funds Balance Sheet, Exhibit C, with corresponding amounts shown on the Proprietary Balance Sheet, Exhibit A, as of June 30, 1943.

#### GENERAL

This examination was limited to an examination of the general accounts of the School Department relating to the receipts and expenditures of public funds. It was reported that the Student Body Funds and the Bread and Milk Fund also are handled through the School Department. The records relating to receipts and disbursements of Student Body Organizations, School Cafeterias and the furnishing of bread and milk to children are maintained in the office of the School Department or at the office of the respective schools. It was reported to us that thorough audits of these accounts have been made regularly by the accounting staff of the School Department.

We acknowledge the courteous and willing cooperation of the accounting staff of the School Department, the warehouse staff of the School Department and by the staff in your office during the course of this examination.

Very truly yours,

B. H. HICKLIN,  
Certified Public Accountant.

EXHIBIT A

CITY AND COUNTY OF SAN FRANCISCO SCHOOL DEPARTMENT

(A United School District)

PROPRIETARY BALANCE SHEET AS OF JUNE 30, 1943

ASSETS		LIABILITIES AND SURPLUS	
FIXED CAPITAL PROPERTIES (Note A)		BONDED DEBT (Note A)	
Land	\$ 9,788,664.67	Bonds matured, not paid by Treasurer	\$ 19,000.00
Buildings and Improvements	37,944,785.69	Bonds due prior to June 30, 1944	880,000.00
Equipment	3,970,599.82	Bonds due after June 30, 1944	8,300,000.00
Note: The above accounts measure the capital invested in existing school service property, without consideration of depreciation. Equipment replacements are considered as current expenses.		BOND INTEREST PAYABLE (Note A)	
CASH	\$ 2,885,437.52	Coupons matured, not paid by Treasurer	15,830.00
On deposit with Treasurer (Note A)	400.00	Coupons due July 1, 1943	4,500.00
Revolving Funds	122,003.15	Accrued interest, not due	122,477.91
ACCOUNTS RECEIVABLE		ACCOUNTS PAYABLE	
Taxes Receivable	122,003.15	Warrants Outstanding—Current Funds	877,673.33
Total Delinquent Taxes	\$280,561.48	Trade Creditors	294,493.46
Less Reserve for Delinquent		U. S. Tax Withheld from Employees	68,872.90
Unsecured Property Taxes	158,558.33	INTERFUND ACCOUNTS PAYABLE	
Other Accounts	Nil	Department of Public Works	233,587.95
Subventions, Claims, etc.	104,692.19	Employees' Retirement System	155,000.00
Less Reserve for Doubtful Items	104,692.19	Other City Departments	1,980.85
INTERFUND ACCOUNTS RECEIVABLE		SPECIAL AND TRUST FUNDS	
Department of Public Works	5,000.00	School Teachers' Sabbatical Leave	4,456.76
Office of Civilian Defense	2,100.00	School Teachers' Permanent (Retirement)	6,525.80
DEPRECIATED CHARGES AND UNADJUSTED ITEMS		School Teachers' Annuity	179.57
Stores	181,021.70	TOTAL LIABILITIES	
Shop Inventory	9,990.94		\$10,984,578.53
Other Supplies	25,701.91	SURPLUS—EXCESS OF ASSETS OVER LIABILITIES	
Unexpired Insurance	488.43	Current Surplus—per Exhibit D (Note B)	1,555,062.87
Bond Interest Accrued, not due	126,977.91	Capital Surplus—per Exhibit D	42,548,503.09
Interdepartmental Work Orders	584.82	TOTAL LIABILITIES AND SURPLS	
Unadjusted Items	*64.98		\$55,088,144.49
Excess of School Department's expenditures over Controller's Net outlay for capital	24,452.91	Note A—Items of Fixed Capital Properties, Bonded Debt, Bond Interest Payable and the related deposits with the Treasurer are not reflected on the ledger of the School Department, but are stated from the records of the Controller.	
TOTAL ASSETS	\$55,088,144.49	Note B—Contingent Liabilities are commented upon under Surplus in this report.	



## EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

## STATEMENT OF SURPLUS ACCOUNTS

For the Fiscal Year Ended June 30, 1943

## CURRENT SURPLUS

BALANCE JULY 1, 1942—PER PRIOR REPORT.....	\$ 1,034,816.41
ADD EXCESS OF REVENUES OVER EXPENSES FOR FISCAL YEAR ENDED JUNE 30, 1943—PER EXHIBIT E.....	667,712.86
ADD TRANSFER FROM CAPITAL SURPLUS P. W. A. DOCKET 1578 FUND.....	1,219.14
ADD INCREASE IN INTERFUND ACCOUNTS RECEIVABLE	2,100.00
Balance—June 30, 1943.....	\$ 7,100.00
Balance—June 30, 1942.....	5,000.00
<hr/>	<hr/>
TOTAL.....	\$ 1,705,848.41
LESS NET REALIZATION ON PRIOR YEARS' TAXES RE- CEIVABLE.....	6,674.00
Taxes Receivable June 30, 1942.....	\$128,677.15
Taxes Receivable June 30, 1943.....	122,003.15
<hr/>	<hr/>
BALANCE.....	\$ 1,699,174.41
LESS INCREASE IN INTERFUND ACCOUNTS PAYABLE...	144,111.54
Balance—June 30, 1943.....	\$390,568.80
Balance—June 30, 1942.....	246,457.26
<hr/>	<hr/>
BALANCE—CURRENT SURPLUS AT JUNE 30, 1943—TO EXHIBIT A.....	\$ 1,555,062.87

## CAPITAL SURPLUS

BALANCE JULY 1, 1942—PER PRIOR REPORT.....	\$41,504,616.49
ADDITIONS:	
Bonded Debt matured in fiscal year ended June 30, 1943.....	880,000.00
Net Capital Outlays from current revenues—per Exhibit E.....	165,259.79
<hr/>	<hr/>
BALANCE.....	\$42,549,876.28
LESS TRANSFER TO CURRENT SURPLUS P. W. A. DOCKET 1578 FUND.....	1,219.14
<hr/>	<hr/>
BALANCE.....	\$42,548,657.14
LESS TRANSFER FROM 1938 SCHOOL BOND FUND.....	154.05
<hr/>	<hr/>
BALANCE—CAPITAL SURPLUS AT JUNE 30, 1943—TO EX- HIBIT A.....	\$42,548,503.09

## EXHIBIT E

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

## STATEMENT OF REVENUES AND EXPENDITURES

REVENUES	Fiscal Year Ended	
	June 30, 1943	June 30, 1942
PROPERTY TAXES AND PENALTIES.....	\$ 6,718,385.95	\$ 6,558,694.68
RECEIVED THROUGH STATE OF CALIFORNIA:		
Elementary Schools.....	2,185,321.14	2,238,704.98
High Schools.....	2,386,836.81	2,394,962.41
TOTAL THROUGH STATE OF CALIFORNIA..	\$ 4,572,157.95	\$ 4,633,667.39
OTHER SOURCES:		
Apportionment of Federal and State Vocational Education Funds.....	48,203.44	38,979.08
Reimbursement for Civil Aeronautics and National Defense Vocational Instruction.....	507,137.87	262,485.56
Tuition from Other Counties.....	124,166.46	165,806.40
Rents Received.....	103,803.27	103,675.17
Other Receipts.....	2,305.60	5,382.86
TOTAL FROM OTHER SOURCES.....	\$ 785,616.64	\$ 576,329.07
TOTAL REVENUES.....	\$12,076,160.54	\$11,768,691.14
EXPENDITURES		
OPERATING EXPENDITURES—PER SCHEDULE 1:		
Administration.....	\$ 286,335.81	\$ 277,656.95
Instruction—Salaries.....	8,193,650.26	8,185,652.06
Instruction—Supplies, etc.....	401,717.61	387,057.34
Auxiliary Agencies.....	81,420.79	71,948.44
Coordinate Activities.....	68,981.36	55,453.81
Operation.....	1,026,328.01	975,306.44
Maintenance.....	521,900.53	524,972.48
Fixed Charges.....	662,853.52	633,549.26
TOTAL OPERATING EXPENDITURES—PER SCHEDULE 1.....	\$11,243,187.89	\$11,111,596.78
BALANCE—EXCESS OF REVENUES OVER OPERATING EXPENDITURES.....	\$ 832,972.65	\$ 657,094.36
CAPITAL OUTLAYS:		
Total Capital Expenditures—per Schedule 1.....	\$ 165,259.79	\$ 314,500.91
Less Credits:		
Sales of Land, Buildings, etc.....		907.00
Expenditures from P. W. A. Docket No. 1578.....		2,839.56
TOTAL CREDITS TO CAPITAL EXPENDITURES.....	Nil	\$ 3,746.56
NET CAPITAL OUTLAYS FROM REVENUES..	\$ 165,259.79	\$ 310,754.35
BALANCE—NET EXCESS OF REVENUES—TO EXHIBIT D.....	\$ 667,712.86	\$ 346,340.01

## SCHEDULE 1

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

## ANALYSIS OF EXPENDITURES

	Fiscal Year Ended	
	June 30, 1943	June 30, 1942
<b>ADMINISTRATION:</b>		
Salaries.....	\$ 250,763.26	\$ 240,401.19
Supplies.....	15,367.07	14,120.00
Traveling.....	4,354.48	3,413.53
Other Expense.....	15,851.00	19,722.23
<b>TOTALS.....</b>	<b>\$ 286,335.81</b>	<b>\$ 277,656.95</b>
<b>INSTRUCTION—SALARIES:</b>		
Supervision.....	\$ 103,029.79	\$ 127,556.69
Kindergarten.....	224,489.08	209,611.34
Elementary Day.....	2,957,907.76	2,921,625.03
Special Schools.....	135,778.78	139,070.33
Junior High.....	1,346,967.77	1,313,151.07
High Day.....	2,510,419.44	2,567,404.59
High Evening.....	235,289.59	262,918.33
Junior College.....	339,600.17	410,342.65
National Defense.....	340,167.88	233,972.03
<b>TOTALS.....</b>	<b>\$ 8,193,650.26</b>	<b>\$ 8,185,652.06</b>
<b>INSTRUCTION—SUPPLIES, ETC.:</b>		
Kindergarten Supplies.....	\$ 4,045.09	\$ 2,786.14
Educational Supplies.....	268,339.23	265,235.68
Books.....	88,954.45	79,769.88
Traveling.....	5,683.54	3,861.88
Other Expenses of Instruction.....	34,695.30	35,403.76
<b>TOTALS.....</b>	<b>\$ 401,717.61</b>	<b>\$ 387,057.34</b>
<b>AUXILIARY AGENCIES:</b>		
Transportation of Children.....	\$ 26,097.80	\$ 28,530.00
Tuition Paid Other Counties.....	3,686.75	2,878.76
Community Centers.....	40,546.39	32,835.51
Other Auxiliary Agencies.....	11,089.85	7,704.17
<b>TOTALS.....</b>	<b>\$ 81,420.79</b>	<b>\$ 71,948.44</b>
<b>COORDINATE ACTIVITIES:</b>		
Compulsory Education.....	\$ 37,757.07	\$ 33,449.95
Child Guidance Service Centers.....	31,224.29	22,003.86
<b>TOTALS.....</b>	<b>\$ 68,981.36</b>	<b>\$ 55,453.81</b>

Forward



## SCHEDULE 1 (Continued)

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT  
(A Unified School District)

## ANALYSIS OF EXPENDITURES

Forward

	Fiscal Year Ended	
	June 30, 1943	June 30, 1942
<b>OPERATION:</b>		
Janitors' and Engineers' Salaries.....	\$ 669,250.40	\$ 628,841.83
Janitors' and Engineers' Supplies.....	47,854.89	43,702.78
Gas and Electricity.....	98,002.22	91,809.31
Fuel.....	55,806.36	52,901.62
Water.....	43,370.85	44,944.57
Other Expenses of Operation.....	112,043.29	113,106.33
<b>TOTALS.....</b>	<b>\$ 1,026,328.01</b>	<b>\$ 975,306.44</b>
<b>MAINTENANCE:</b>		
Repairs to Buildings and Grounds.....	\$ 385,059.61	\$ 352,437.81
Repairs to Janitors' Equipment.....	45,658.35	64,452.10
Repairs to Educational Equipment.....	90,206.52	108,082.57
Other Expenses of Maintenance.....	976.05	.....
<b>TOTALS.....</b>	<b>\$ 521,900.53</b>	<b>\$ 524,972.48</b>
<b>FIXED CHARGES:</b>		
Contributions to Retirement System—City....	\$ 561,018.23	\$ 560,410.35
Contributions to Retirement System—State....	36,480.00	36,738.00
Workmen's Compensation and Accident Claims..	8,630.47	8,940.15
Insurance.....	47,550.05	20,632.40
Rents Paid.....	16,703.50	10,655.19
Teachers' Back Salary Adjustments.....	417.78	2,322.94
Other Expenses of Fixed Charges (net).....	*7,946.51	*6,149.77
<b>TOTALS.....</b>	<b>\$ 662,853.52</b>	<b>\$ 633,549.26</b>
<b>TOTAL OPERATING EXPENDITURES—TO</b>		
<b>EXHIBIT E.....</b>	<b>\$11,243,187.89</b>	<b>\$11,111,596.78</b>
<b>CAPITAL OUTLAYS:</b>		
Expenditures for Land.....	\$ 8,708.34	\$ 34,225.83
Expenditures for Buildings.....	93,650.36	133,944.20
Expenditures for Equipment.....	62,901.09	146,330.88
<b>TOTAL CAPITAL OUTLAYS—TO EXHIBIT E.....</b>	<b>\$ 165,259.79</b>	<b>\$ 314,500.91</b>
<b>GRAND TOTAL OF EXPENDITURES.....</b>	<b>\$11,408,447.68</b>	<b>\$11,426,097.69</b>

\*Indicates red figures.

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT (A United School District)  
RECONCILEMENT OF PROPRIETARY BALANCE SHEET  
WITH FUNDS BALANCE SHEET AS OF JUNE 30, 1943

ASSETS										LIABILITIES									
PROPRIETARY BALANCES—PER EXHIBIT A.										ADDITIONS:									
Fixed Capital Properties	\$51,704,050.18	Cash	\$2,885,837.52	Accounts Receivable	\$122,003.15	Interfund Accounts Receivable	\$7,100.00	Deferred Charges	\$369,153.64	Bonded Debt	\$9,199,000.00	Bond Interest and Payable	\$1,383,847.60	Interfund Payable	\$390,568.80	Special Funds and Trust	\$11,162.13	Surplus and Reserves	\$44,103,565.96
Accounts Receivable for Vocational Training, etc.										Accounts Receivable for Vocational Training, etc.									
Total per Controller.										Total per Controller.									
Matured.										Matured.									
Balance not matured.										Balance not matured.									
TOTALS BEFORE DEDUCTIONS.										TOTALS BEFORE DEDUCTIONS.									
Fixed Capital less Bonded Debt.										DEDUCTIONS.									
19,000.00	15,830.00	4,500.00	122,477.91	877,673.33	400.00	216,714.55	488.43	68,872.90	24,972.75	\$9,199,000.00	\$1,089,354.14							\$42,765,809.24	
Bonds matured, not paid by Treasurer.										Bonds matured, not paid by Treasurer.									
Bond Interest due, not paid by Treasurer.										Bond Interest due, not paid by Treasurer.									
Bond Interest due July 1, 1943.										Bond Interest due July 1, 1943.									
Bond Interest accrued, not due.										Bond Interest accrued, not due.									
Warrants Outstanding.										Warrants Outstanding.									
Revolving Funds.										Revolving Funds.									
Stores, Shop Inventory and Supplies.										Stores, Shop Inventory and Supplies.									
Unexpired Insurance.										Unexpired Insurance.									
U. S. Tax Withheld from Employees.										U. S. Tax Withheld from Employees.									
Unrecorded items.										Unrecorded items.									
LESS TOTAL DEDUCTIONS.										LESS TOTAL DEDUCTIONS.									
FUND BALANCES—PER EXHIBIT C.										FUND BALANCES—PER EXHIBIT C.									



## EXHIBIT C

CITY AND COUNTY OF SAN FRANCISCO  
SCHOOL DEPARTMENT (A Unified School District)FUNDS BALANCE SHEET AS OF JUNE 30, 1943  
(As per the accounts of the Controller)

## ASSETS

	Current Funds	School Teachers' Substantial Leave	School Teachers' Permanent Fund	Teachers' Annuity Deposit	Totals to Exhibit B
Available Cash.....	\$1,892,899.16	\$4,456.76	\$6,525.80	\$179.57	\$1,904,061.29
Accounts Receivable.....	226,160.22				226,160.22
Interfund Accounts Receivable.....	7,100.00				7,100.00
<b>TOTAL ASSETS.....</b>	<b>\$2,126,159.38</b>	<b>\$4,456.76</b>	<b>\$6,525.80</b>	<b>\$179.57</b>	<b>\$2,137,321.51</b>

## LIABILITIES AND SURPLUS

Accounts Payable.....	\$ 323,143.72				\$ 323,143.72
Interfund Accounts Payable.....	390,568.80				390,568.80
Special and Trust Funds.....		\$4,456.76	\$6,525.80	\$179.57	11,162.13
Unappropriated Balances.....	1,406,072.62				1,406,072.62
Unencumbered Appropriations.....	6,374.24				6,374.24
<b>TOTAL LIABILITIES AND SURPLUS.....</b>	<b>\$2,126,159.38</b>	<b>\$4,456.76</b>	<b>\$6,525.80</b>	<b>\$179.57</b>	<b>\$2,137,321.51</b>



San Francisco  
City and County Employees'  
Retirement System

Report on Examination of Accounts

For the Fiscal Year Ended June 30, 1943

# SULLY AND CARSON

Certified Public Accountants

465 California Street

San Francisco 4, California

November 18, 1943.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco,  
San Francisco, California.

Dear Sir:

We have made an examination of the accounts and related records of the San Francisco City and County Employees' Retirement System for the fiscal year ended June 30, 1943, and submit herewith our report thereon, together with the following Exhibits and Schedule:

EXHIBIT A—BALANCE SHEET as at June 30, 1943

EXHIBIT B—STATEMENT OF REVENUES AND EXPENDITURES  
for the Fiscal Year Ended June 30, 1943

SCHEDULE 1—INVESTMENT BONDS as at June 30, 1943

## SCOPE OF THE EXAMINATION

Our examination was limited to a verification of the asset and liability accounts as at June 30, 1943, and a test check of the revenues and expenditures for the fiscal year ended that date. In connection therewith, we reviewed the system of internal control and the accounting procedures of the system and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Mr. David F. Supple, Consultant to the Grand Jury, participated in this examination.

## BALANCE SHEET COMMENTS

Cash On Deposit With Treasurer.....\$179,261.41

The cash on deposit with the Treasurer was verified as of June 30, 1943, by the accounting staff of the Controller's Office. The report on this verification was inspected by us and we ascertained that reconciliation was established with the balance as reflected in the records of the Retirement System. Warrants unclaimed or refused by payees totaling \$27,104.98, and cancelled by the Controller, have been included in the above cash balance.

A reconciliation of the Retirement Fund Cash with the records of the Controller and the Treasurer is set forth below:

Retirement Fund Cash balance and cancelled warrants held in abeyance by Controller.....		\$179,261.41
Cash transfers recorded by Controller in 1942-43, and by Retirement Fund in 1943-44.....	\$6,046.07	
Disbursements recorded by Controller in 1943-44, and by Retirement Fund in 1942-43.....	4,488.03	10,534.10
		<hr/> \$189,795.51

Interdepartmental matching contributions and work order liquidations treated as cash deposits by Retirement Fund, but as accounts receivable by Controller.....

29,508.50

Controller's Cash balance.....

\$160,287.01

Warrants outstanding and adjustments of cancelled warrants recorded by Treasurer in 1943-44.....

293,325.01

Treasurer's Cash Balance.....

\$453,612.02

**Accrued Interest on Investment Bonds.....**

**\$394,508.32**

This amount represents the interest accrued but not yet collected at June 30, 1943, on investment bonds. The computations were verified by us.

**Investment Bonds.....**

**\$33,495,877.49**

A summary of the investment bonds in the Retirement Fund is set forth in Schedule 1 of this report. We inspected or otherwise accounted for the various securities which are held in the joint custody of the Controller and Treasurer. The collections from interest coupons maturing during the fiscal year ended June 30, 1943, were verified. None of the securities were in default as to principal or interest as of June 30, 1943.

All investment bonds in the Retirement Fund are of the character legal for the investments of insurance companies in the State of California in accordance with the requirements of Section 159 of the Charter.

Inasmuch as the securities were purchased for investment purposes only, we have made no attempt to calculate their market value as of June 30, 1943.

The bonds are carried at amortized values as the Retirement System is extinguishing the premium or discount at which the bonds were purchased so that book values will equal par at maturity.

Our audit included a comprehensive test of the annual amortization of bond premium and discount and of the resultant book values of the bonds at June 30, 1943.

The changes in the investment bonds during the fiscal year are summarized below:

	Total	Govt., State, Municipal and Other Political Subdivisions	Railroads	Other Public Utilities
Balance, July 1, 1942...	\$30,717,013.97	\$29,117,089.67	\$ 533,712.00	\$1,066,212.30
Add: Purchases.....	8,490,414.31	8,490,414.31		
Total.....	\$39,207,428.28	\$37,607,503.98	\$ 533,712.00	\$1,066,212.30
Deduct:				
Bonds sold.....	\$ 4,918,758.36	\$ 4,918,758.36	\$.....	\$.....
Bonds called.....	46,675.83	9,546.47	37,129.36	
Bonds matured.....	653,141.26	653,141.26		
Amortization (net).....	92,975.34	90,306.19	*545.10	3,214.25
	\$ 5,711,550.79	\$ 5,671,752.28	\$ 36,584.26	\$ 3,214.25
Balance, June 30, 1943..	\$33,495,877.49	\$31,935,751.70	\$ 497,127.74	\$1,062,998.05

The item of Bonds Sold indicated in the above summary represents various bonds of a par value of \$4,463,000.00 which were sold during the year, and resulted in a profit of \$400,471.94 to the Retirement Fund. The procedure by which this profit was applied in reduction of the cost of United States Government bonds purchased is set forth in detail hereinafter under the caption "Reserve for Profit Realized on Sales of Bonds."

The item of "Bonds Called" represents bonds of a par value of \$40,000.00 which were called during the year, and resulted in a profit of \$4,938.02. This amount has been credited to the Reserve for Interest and Investment Fluctuations.

\*Indicates red figures.



# **Accounts Receivable City and County of San Francisco** **\$6,534,923.91**

This represents the balance reflected on the books of the Retirement System as due from the City and County of San Francisco and is made up as follows:

## **Current Service:**

Firemen.....	\$6,145,106.59	
Policemen.....	43,915.85	
<b>Total.....</b>	<b>\$6,189,022.44</b>	

## **Less:**

Appropriation Credits.....	\$ 230,798.55	
Taxes receivable allocated to the Retirement System (net).....	35,961.04	
Collections account disability salaries not yet transferred.....	1,120.27	267,879.86

Remainder..... **\$5,921,142.58**

Police \$2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932.....	310,779.77	
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**Total.....** **\$6,231,922.35**

Employees' contributions in course of collection.....	68,404.32	
City's matching contributions, current service.....	164,537.79	
Prior service retirement allowances.....	70,115.89	

**Total.....** **\$6,534,980.35**

Less: Balance of 1942-43 appropriations carried forward to cover actuarial investigations.....	56.44	
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**Balance, June 30, 1943.....** **\$6,534,923.91**

Certain specific items in the foregoing tabulation are commented on as follows:

## **Current Service.....** **\$6,189,022.44**

This amount represents the balance which would be required from the City and County of San Francisco as of June 30, 1943, to establish an actuarial reserve equal to the liabilities accruing under the Retirement System on account of services rendered by Firemen and Policemen who became members on January 8, 1932, as provided in the Charter under subdivision (f) of Section 166 and subdivision (d) of Section 169. The subdivisions referred to are as follows:

### **Section 166, subdivision (f)—Police Department Members:**

"In addition to the other contributions required of the City and County under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the retirement system because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county, together with the members' contributions, was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

### **Section 169, subdivision (d)—Members of Fire Department:**

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which shall be equal to the liabilities accruing under the retirement system because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

The Retirement Board, after an actuarial survey conducted for the purpose of determining the contributions referred to in the above quoted sections of the Charter, established a rate of 6.36 per cent of salaries earned by policemen, and 19.16 per cent of salaries earned by firemen, who did not exercise the option granted by the Charter of becoming miscellaneous members of the Retirement System.

The Retirement System charges the City and County on the above basis on the theory that the burden to the City and County of all future allowances shall be spread evenly over future service years in proportion to the salaries to be paid. Funds appropriated for this purpose have been applied by the Retirement System first, to cover retirement disbursements and matching contributions of the members in the miscellaneous classifications, and the remainder has been applied to the contributions charged to the City and County under Sections 166 (f) and 169 (d) of the Charter. In the tabulation above, under the caption "Appropriation Credits" is indicated an amount of \$230,798.55 which represents the remainder so applied up to June 30, 1943.

The budget officials have each year, beginning with the fiscal year ended June 30, 1933, reduced the retirement board budget requests based upon the above mentioned percentages, to the estimated payments to be made during the fiscal year on account of current service which has resulted in an accumulation of charges to the City and County representing the excess of contributions as calculated by the Retirement System over the budget appropriations therefor.

No part of the accumulated matching contributions of the City and County which have been released by separation of members from City and County employment and not applied in settlement of other receivables has been credited as an offset to the balance shown to be due from the City and County. These released contributions are specifically referred to hereafter under the caption "City and County Accumulated Contributions, Other" and show a net balance as of June 30, 1943, of \$1,788,876.61. As at June 30, 1942, the net balance amounted to \$1,551,312.26, an increase of \$237,564.35.

#### **Police \$2.00 Contributions Paid to the Police Relief and Pension Fund**

Prior to January 8, 1932 ..... \$310,779.77

On January 8, 1932, the members of the Police Relief and Pension Fund became members of the Retirement System. The above amount represents contributions of \$2.00 per month paid to the predecessor pension fund prior to January 8, 1932, by those employees who were members of the Police Department at that time, and who were still in the department at June 30, 1943.

Interest at the rate of 3½ per cent per annum has been collected on this account for the fiscal year ended June 30, 1943.

**Employees' Contributions in Course of Collection** ..... \$68,404.32

This amount represents deductions made from salary warrants for the second half of June, 1943, covering employees' contributions.

**City's Matching Contributions, Current Service** ..... \$164,537.79

The City and County of San Francisco is required, under Section 164 of the Charter, to contribute to the Retirement System an amount equal to the normal contributions of members. The above amount represents matching contributions due on June 30, 1943, as follows:

Municipal Railway.....	\$ 34 818.55
Water Department.....	10,432.22
Hetch Hetchy Power Division.....	1,106.10
General City and County.....	118,180.92

Total..... \$164,537.79

**Prior Service Retirement Allowances** ..... \$70,115.89

This amount represents disbursements made on account of retirement allowances granted for prior service. In accordance with Section 43 of Ordinance 4.073 reimbursements are to be made by the City and County from the following funds:

San Francisco School Department.....	\$61,915.86
Municipal Railway.....	8,200.03

Total..... \$70,115.89

<b>Taxes Receivable</b> .....	<b>\$71,153.31</b>
Less: Allowance for Uncollectible Accounts.....	<b>\$35,192.27</b>

The Controller's accounts reflect an allocation to the Retirement System of \$71,153.31 of prior years secured and unsecured delinquent taxes and penalties, with a reserve provision of \$35,192.27 to cover any uncollectible unsecured personal property taxes.

**Undistributed Portion of Amounts Previously Applied to Provide Retirement Allowances for Current Service to Be Disbursed Monthly \$6,761,814.29**

The composition of this amount is as follows:

**Service Retirements, Current Service:**

Miscellaneous Members.....	\$3,173,003.00	
Firemen.....	772,602.65	
Policemen.....	384,535.19	\$4,330,140.84

**Disability Retirement, Current Service:**

Miscellaneous Members.....	\$ 823,656.46	
Firemen.....	283,634.43	
Policemen.....	391,822.05	\$1,499,112.94

**Death Allowances:**

Firemen.....	\$ 439,441.93	
Policemen.....	493,118.58	\$ 932,560.51

**Total.....** \$6,761,814.29

Service retirements and death allowances represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of members, increased by annual interest credits computed on the undistributed portion to June 30, 1943, and decreased by the monthly allowances paid up to that date. Disability retirement pensions and annuities granted to firemen and policemen who did not elect to become miscellaneous members are stated on a similar basis. Disability pensions granted to miscellaneous members including policemen of that status are, however, stated at the present value of the pensions calculated as of June 30, 1943. The present value of these pensions was \$358,320.47 in excess of the residue of City and County Contributions transferred at the time of retirement. This difference has been charged to City and County Accumulated Contributions, Other.

The accuracy of the service and disability retirements and death allowances granted and approved by the Retirement Board during the year under review was tested by an examination of selected cases, including a comparison of allowances made with actuarial tables and a review of related documents, records and other supporting evidence. The aggregate of the undistributed balances as reflected in the retired members' individual cards was in agreement with the general ledger controlling accounts.

No provision has been made in the balance sheet for the liability to retired members for retirement allowances granted on account of prior service, as funds to provide this portion of the monthly allowances are apportioned to the Retirement System currently, by the City and County appropriations.

**Members' Accumulated Contributions.....\$13,732,164.16**

Accumulated contributions of members of the Retirement System comprise the following:

Normal contributions, miscellaneous members.....	\$12,772,314.94
Additional contributions.....	312,203.36
Policemen \$2.00 contributions.....	647,645.86
<b>Total.....</b>	<u><u>\$13,732,164.16</u></u>

The three items enumerated in the above tabulation are commented on as follows:

# Normal Contributions, Miscellaneous Members.....\$12,772,314.94

This amount represents contributions made by miscellaneous members at varying rates, as determined in accordance with the provisions of Ordinance 4.073, plus interest compounded at June 30, of each year. Included in the above amount is the sum of \$36,366.68 contributed by the City for employees who are in military service and whose base pay is less than \$100.00 per month. The rate of interest as authorized by the Retirement Board, was 3½% per annum for the year under review.

# Policemen \$2.00 Contributions.....\$647,645.86

On January 8, 1932, policemen who were members of the Police Relief and Pension Fund, became members of the San Francisco City and County Employees' Retirement System. Members under the former plan were contributing on a basis of \$2.00 each per month and were given options of continuing on this basis or of becoming members on the same conditions as policemen who entered the department employ after January 8, 1932. The amount stated above represents the contributions of policemen who are still in the service, but who have not yet elected to become members under the latter classification. Interest compounded at June 30, each year, has been added to the account and for the year under review was based upon 3½% per annum.

# Additional Contributions.....\$312,203.36

Under Section 164 of the Charter, members are permitted to make contributions in addition to the normal contributions as fixed by the Retirement Board. No liability, however, attaches to the City and County for matching these additional contributions. Interest is added to the balances at the same rate as determined for normal contributions.

# City and County Accumulated Contributions, Current Service.....\$16,904,056.99

This amount represents City and County accumulated contributions, classified as follows:

Matching contributions, miscellaneous members.....	\$12,772,314.94
Firemen.....	4,015,354.04
Policemen.....	116,388.01
<b>Total.....</b>	<b>\$16,904,056.99</b>

# Matching Contributions, Miscellaneous Members.....\$12,772,314.94

In accordance with Section 163 of the Charter, the City and County shall contribute an amount equal to the normal contributions of the members. This amount represents the accumulated contributions of the City and County in conformity therewith.

Firemen.....	\$4,015,354.04
Policemen.....	\$ 116,388.01

These items represent the accumulated contributions of the City and County on account of firemen and policemen still in service and who became members of the Retirement System on January 8, 1932, but did not exercise the option granted by the Charter of becoming miscellaneous members. These contributions are computed on the basis of 19.16 per cent of salaries earned by firemen, and 6.36 per cent of salaries earned by policemen.

# City and County Accumulated Contributions, Other.....\$1,788,876.61

The composition of this amount is as follows:

City and County matching contributions released by withdrawal of members from City and County employment, held as a reserve to meet the obligations of the City and County on account of benefits granted and prior service of members:	
General City and County.....	\$1,858,347.25
Municipal Railway.....	300,095.92
Water Department.....	74,208.05
Hetch Hetchy Power Division.....	21,941.46

**Total.....\$2,254,592.68**

## Deduct:

Excess of death benefits granted to deceased members over released matching contributions.....	\$107,395.60	
Excess of present value of disability retirement allowances for current service as calculated at June 30, 1943, over residue of City and County contributions transferred at time of retirement.....	358,320.47	465,716.07
Total.....		<u>\$1,788,876.61</u>

## Accounts Payable.....\$55,233.42

## Accounts payable comprise the following:

Amounts bearing interest—payable in monthly installments to beneficiaries of deceased members.....	\$27,671.46
Warrants unclaimed or refused by payee cancelled by Controller (this amount included in "Cash on Deposit with Treasurer")...	27,104.98
Refundable contributions due to former members who cannot be located.....	456.98
Total.....	<u>\$55,233.42</u>

## Reserve for Interest and Investment Fluctuations.....\$1,024,853.73

This amount represents the excess of the interest earned on investments and accounts receivable balances, plus profits on bonds sold or called, over the interest credited on members' and City and County contributions and on undistributed portions of retirement allowances. Also included in this account are the adjustments in the general ledger cards. The adjustment of contribution controls consists principally of adjustments to decrease the control balance of "Members' Accumulated Normal Contributions" in the amount of \$1,792.11 and "City's Accumulated Contributions, Current Service" in the same amount.

The rate of interest credited to the members and the City and County on the contributions made by them, was on a basis of  $3\frac{1}{2}\%$  per annum for the period under review.

The average rate of interest earned on Retirement Fund investments, while still in excess of  $3\frac{1}{2}\%$  per cent, is decreasing yearly. This is due not only to the low interest rate on securities purchased out of current contributions, but also to the fact that securities purchased in the past bearing higher interest rates have to be reinvested as they mature, in securities with a much lower yield.

The changes in the reserve account for the year ended June 30, 1943, are as follows:

Balance, July 1, 1942.....	\$ 956,317.70
Add: Interest Earned:	
Investments.....	\$1,147,248.50
Account receivable.....	215,629.97
Profit on bonds called.....	4,938.02
Adjustment of contribution controls, net.....	3,586.25
Total.....	<u>\$2,327,720.44</u>
Deduct:	
Interest credited to members and the City and County on their contributions and on undistributed portions of retirement allowances.....	1,302,866.71
Balance, June 30, 1943.....	<u>\$1,024,853.73</u>

Reserve for Profit Realized on Sales of Bonds.....	\$400,421.35
Less: Amortization to June 30, 1943.....	\$ 26,888.38

During the year under review, certain short-term bonds were sold, prior to maturity, and a profit of \$400,421.35 realized thereon. In accordance with a resolution of the Retirement Board, approved at its meeting held May 25, 1943, the excess of the amount received from the sale of these bonds over the value at which they were carried in the Retirement Fund was applied to reduce the cost of United States Government bonds of a par value of \$5,330,000.00. Since the policy of the Retirement Board is not to trade in securities but to purchase for investment purposes only, this procedure was adopted by them to obviate unusual fluctuations in the annual interest income and stabilize the effective yield of the Retirement Fund investments, by amortizing the profit realized over the life of the bonds purchased.

The deferred portion of the profit realized during the current fiscal year, while applied by the Retirement System in reduction of the cost of the bonds, purchased, as explained above, is shown on our balance sheet herein as "Reserve for Profit Realized on Sales of Bonds."

### COMPENSATION INSURANCE

As of June 30, 1943, all departments of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions being administered by the Retirement System. Section 172 of the Charter covering compensation insurance reads in part as follows:

"The benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to or on account of officers and employees, including teachers of the city and county, shall be administered exclusively by the retirement board, provided that the retirement board shall determine whether the city and county, through the retirement system, shall assume the risks under the said law in whole or in part, or whether it shall reinsure such risks, in whole or in part, with the State Compensation Insurance Fund. Benefits under such risks as may be assumed by the city and county and premiums under such risks as may be reinsured shall be paid by the retirement system, and an amount, equal to the total of such benefits and premiums as determined by the actuary for any fiscal year, including the deficit brought forward from previous years, shall be paid during such fiscal year to the retirement system by the city and county."

All demands made by the Retirement System during the year under review on account of compensation expenditures were met by the City and County. The above quoted section of the Charter provides that liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year; however, the payments received have reimbursed the Retirement System for actual disbursements only. Compensation awards and claims pending at June 30, 1943, were estimated by the Retirement System at \$185,095.35.

We wish to express our appreciation of the cooperation and uniform courtesy extended to us by the officials and staff of the Retirement System and the Controller's office.

Respectfully submitted,

SULLY AND CARSON.



EXHIBIT "A"  
 SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
 RETIREMENT SYSTEM

BALANCE SHEET

As At June 30, 1943

A S S E T S

CASH ON DEPOSIT WITH TREASURER.....	\$	179,261.41	
ACCRUED INTEREST ON INVESTMENT BONDS.....		394,508.32	
INVESTMENT BONDS—Schedule No. 1.....		33,495,877.49	
ACCOUNTS RECEIVABLE, CITY AND COUNTY OF SAN FRANCISCO.....		6,534,923.91	
TAXES RECEIVABLE.....	\$	71,153.31	
Less: ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS.....		35,192.27	35,961.04
TOTAL.....			<u>\$40,640,532.17</u>

L I A B I L I T I E S

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY.....	\$	6,761,814.29	
MEMBERS' ACCUMULATED CONTRIBUTIONS.....		13,732,164.16	
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, CURRENT SERVICE.....		16,904,036.99	
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS, OTHER.....		1,788,876.61	
ACCOUNTS PAYABLE.....		55,233.42	
RESERVE FOR PROFIT REALIZED ON SALES OF BONDS.....	\$	400,421.35	
Less: AMORTIZATION TO JUNE 30, 1943.....		26,888.38	373,532.97
RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS.....		1,024,853.73	
TOTAL.....			<u>\$40,640,532.17</u>

NOTES: The above balance sheet does not include the liability to retired members, or to active members of the Retirement System for retirement allowances granted, or to be granted, on account of prior service; that is, service in City and County employment before becoming members of the Retirement System. Section 43 of Ordinance 4.073 provides that all allowances paid on account of prior service shall be reimbursed to the Retirement Fund by the City and County.

Compensation awards and claims pending as of June 30, 1943, were estimated by the Retirement System to be \$185,095.35, and are not included with the liabilities on the above balance sheet. Of this amount \$84,164.27 is estimated to be payable during the fiscal year ending June 30, 1944. Benefits and other expenditures paid by the Retirement System on account of these claims will be reimbursed by the City and County.



## EXHIBIT "B"

SAN FRANCISCO CITY AND COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

STATEMENT OF REVENUES AND EXPENDITURES

For the Fiscal Year Ended June 30, 1943

## REVENUES:

## Members' contributions:

Normal contributions, miscellaneous members...	\$1,128,097.37	
Members' additional contributions.....	44,971.75	
Redeposited contributions, miscellaneous mem- bers.....	7,779.47	
Police \$2.00 contributions.....	6,423.00	\$1,187,271.59

City and County contributions to match normal contributions of miscellaneous members.....		1,128,097.37
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Contributions by City and County to meet current  
service obligations:

Firemen.....	\$ 601,821.13	
Policemen.....	43,915.85	645,736.98

Contributions by City and County to meet prior  
service obligations:

Miscellaneous members.....	\$ 480,503.53	
Firemen.....	596,283.11	
Policemen.....	289,483.72	1,366,270.36

## Other contributions by City and County:

Administrative expense.....	\$ 50,838.36	
Compensation insurance costs:		
Benefits.....	\$ 64,953.54	
Medical charges and expenses..	57,463.47	122,417.01
		173,255.37

Deposits by beneficiaries under death claims.....		10,753.45
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## Income on investments:

## Interest:

Interest earned.....	\$1,147,248.50	
Amortization of Premium and Discount.....	479,303.67	1,626,552.17

Profit on bonds called before maturity.....	4,938.02	1,631,490.19
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TOTAL.....		<u>\$6,142,875.31</u>
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## EXHIBIT "B"—Continued

## EXPENDITURES:

Members' accumulated contributions withdrawn:		
Miscellaneous members:		
Normal contributions.....	\$246,292.64	
Additional contributions.....	6,527.86	\$252,820.50
Policemen and Firemen.....	17,689.56	\$ 270,510.06
Service retirement allowances:		
Miscellaneous members.....	\$794,360.61	
Firemen.....	468,271.13	
Policemen.....	122,273.30	1,384,905.04
Disability retirement allowances:		
Miscellaneous members.....	\$167,918.93	
Firemen.....	112,531.16	
Policemen.....	148,127.71	428,577.80
Death allowances:		
Firemen.....	\$135,516.18	
Policemen.....	108,202.74	243,718.92
Death benefits to members' beneficiaries:		
Miscellaneous members.....	\$278,996.46	
Firemen.....	3,782.52	
Policemen.....	20,180.74	302,959.72
Death benefits to retired members' beneficiaries:		
Miscellaneous members.....	\$ 50,508.71	
Policemen.....	2,500.00	53,008.71
Monthly installments to death claim beneficiaries...		13,947.76
Police \$2.00 accumulated contributions due from City and County.....		17,299.64
Compensation costs:		
Benefits.....	\$ 64,953.54	
Medical charges.....	57,463.47	122,417.01
Administrative expenses.....		50,838.36
Amortization of investment bonds.....		479,303.67
City's contributions in reserve applied to match.....		119.23
TOTAL.....		<u>\$3,367,605.92</u>
NET REVENUES.....		<u>\$2,775,269.39</u>

SCHEDULE No. 1  
**SAN FRANCISCO CITY AND COUNTY EMPLOYEES'**  
**RETIREMENT SYSTEM**  
**INVESTMENT BONDS**  
**June 30, 1943**

DESCRIPTION	Par Value	Book Value June 30, 1943
<b>GOVERNMENT, STATE, MUNICIPAL, AND OTHER POLITICAL SUBDIVISIONS:</b>		
United States Government.....	\$ 9,730,000.00	\$ 9,752,929.90
State of California.....	1,197,000.00	1,227,042.32
State of California Toll Bridge Authority.....	412,000.00	435,302.19
City and County of San Francisco.....	2,771,000.00	2,993,291.46
East Bay Municipal Utility District.....	1,590,000.00	1,766,871.61
City of New York.....	2,405,000.00	2,705,508.47
Golden Gate Bridge and Highway District.....	560,000.00	641,315.26
City of Los Angeles.....	2,225,000.00	2,562,036.60
Los Angeles County Flood Control District.....	1,279,000.00	1,486,260.93
Marin Municipal Water District.....	233,000.00	245,307.52
Metropolitan Water District of Southern California.....	4,859,000.00	5,622,500.18
City of Richmond.....	343,000.00	364,879.69
City of Sacramento.....	383,000.00	410,504.58
City of Stockton.....	343,000.00	367,337.78
Other California Municipalities and School Districts, Etc.....	1,295,600.00	1,354,663.21
Total.....	\$29,625,600.00	\$31,935,751.70
<b>RAILROADS:</b>		
Atchison, Topeka and Santa Fe Railroad Company.....	\$ 51,000.00	\$ 49,630.69
Southern Pacific Railroad Company.....	393,100.00	389,535.96
Union Pacific Railroad Company.....	59,000.00	57,961.09
Total.....	\$ 503,100.00	\$ 497,127.74
<b>OTHER PUBLIC UTILITIES:</b>		
California Water Service Company.....	\$ 28,000.00	\$ 28,765.87
San Joaquin Light and Power Company.....	422,000.00	452,769.85
Southern California Edison Company.....	244,000.00	253,948.61
Southern California Gas Company.....	194,000.00	190,391.36
Southern Counties Gas Company.....	138,000.00	137,122.36
Total.....	\$ 1,062,000.00	\$ 1,062,998.05
<b>TOTAL.....</b>	<b>\$31,154,700.00</b>	<b>\$33,495,877.49</b>





